

APPENDIX.

Petitions and Memorials.

Senator Page offered a numerous-ly signed petition from his district requesting a postponement of building any public institutions, especially the West Texas Agricultural and Mechanical College and Normal Colleges.

Houston, Texas, July 24, 1917.

W. P. Allen, Esq.,
Littlefield Bldg.,
Austin, Texas.

Dear Sir: I have your letter of July 23rd enclosing two letters to you of that date—one from Mr. H. P. Bickler, official stenographer of the Board of Regents at the Galveston meeting of July 12th and 13th, and the other from Mr. E. J. Matthews, Secretary of the Board of Regents.

It appears from the letter of Secretary Matthews that you did not vote for the removal of Professors Cofer, Matthews, Ellis or Lomax, who were investigated by the Board of Regents October 10, 1916, and who were confirmed in their acquittal by the so-called Dayton resolution of the State Senate.

It appears from Stenographer Bickler's letter, as well as Secretary Matthew's letter, that you moved, "to go on with the consideration of the University at Austin, where we can get the whole facts there."

I especially commend your language quoted by Stenographer Bickler, "I for one always stand ready, before any action is taken of any kind, to give everybody concerned a show and a hearing."

I am glad now to say that you did not "utterly disregard" the Dayton resolution. However, a review of the reported proceedings at the time, a consideration of the general results, and the lack of emphatic and reiterated demand by you that an investigation be made before discharging any of the faculty, would seem to excuse an honest mistake on my part in charging you with "utterly disregarding" the Dayton resolution.

I am sending a copy of this to the Austin American, San Antonio Express, and the Houston Post, which are the only papers, so far as I am informed, that printed the interviews

of July 19th, in which I charged Governor Ferguson, you and Regent Kelly with "utterly disregarding" the Dayton resolution.

Yours respectfully,
WILL C. HOGG.

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THIRD DAY.

Senate Chamber,
Austin, Texas,

Tuesday, September 4, 1917.

The Senate met at 9:20 o'clock a. m. pursuant to adjournment, and was called to order by President Pro Tem. Dean.

The roll was called, a quorum being present, the following Senators answering to their names:

Alderdice.	Hudspeth.
Bailey.	Johnson of Hall.
Bee.	Johnston of Harris.
Buchanan of Bell.	Lattimore.
Buchanan of Scurry.	McCollum.
Caldwell.	McNealus.
Clark.	Page.
Dayton.	Parr.
Dean.	Robbins.
Decherd.	Smith.
Floyd.	Strickland.
Gibson.	Suiter.
Harley.	Westbrook.
Henderson.	Woodward.
Hopkins.	

Absent.

Hall.

Prayer by the Chaplain.

Pending the reading of the Journal of yesterday, the same was dispensed with on motion of Senator Alderdice.

Excused.

Senator McNealus for yesterday on account of important business, on motion of Senator Suiter.

Senator Henderson for yesterday on account of important business, on motion of Senator Lattimore.

Oath of Office Administered.

At the request of the Chair Senator-elect V. A. Collins came forward and took the constitutional oath of office administered by the President Pro Tem., Senator Dean.

Senator Collins was then seated as

a member of the Texas State Senate, representing the Fourteenth Senatorial District, composed of the counties of Nacogdoches, San Augustine, Sabine, Newton, Jasper, Tyler, Liberty, Hardin, Orange and Jefferson.

The Assistant Doorkeeper, John Ussery, here appeared at the bar of the Senate and took the constitutional oath of office, administered by President Pro Tem. Dean.

Executive Session.

The Chair, President Pro Tem. Dean, here announced that the hour heretofore designated by the Senate for executive session had arrived, and directed the Sergeant-at-Arms to clear the Chamber of all persons not entitled to remain, which was accordingly done and the Senate proceeded to executive session.

The Secretary reported to the Journal Clerk that the following confirmations were made:

Honorable R. F. Peden as judge of the county court for civil cases of Tarrant County, Texas.

Honorable A. C. Hartman of Cuero, Texas, as district attorney of the Twenty-fourth Judicial District of Texas, to succeed Honorable Wayne Davis, resigned.

Mr. John Sealy of Galveston, Texas, to be a member of the Board of Regents of the University of Texas, in place of Dr. A. W. Fly.

In the Senate.

(President Pro. Tem Dean in the Chair.)

Committee Assignments.

Senator Johnson of Hall moved that the Chair assign Senator Collins to appropriate committees.

The motion prevailed and the assignments will be announced by the Chair at a later time.

Senate Bill No. 3 Re-referred.

Senator McNealus moved that Senate Bill No. 3 be recalled from the Finance Committee and referred by the Chair to the Committee on Agricultural Affairs.

The motion prevailed and the bill was accordingly referred.

Messages From the Governor.

Here Mr. S. Raymond Brooks appeared at the bar of the Senate with several messages from the Governor.

The Chair directed the Secretary to read the messages, which were as follows:

Governor's Office,
Austin, Texas, Sept. 4, 1917.

To the Thirty-fifth Legislature in Third Called Session:

I beg to submit for your consideration the following subject:

The enactment of a special road law for Cass County; amending the law passed at the Regular Session of the Thirty-fifth Legislature, the same being an Act to create a more efficient road law for Cass County.

Respectfully submitted,

W. P. HOBBY,
Acting Governor of Texas.

Governor's Office,
Austin, Texas, Sept. 4, 1917.

To the Thirty-fifth Legislature in Third Called Session:

On May 24, 1917, this office was informed by the Honorable Secretary of the Department of Commerce at Washington, D. C., that he had been obliged "to close the fish cultural station at San Marcos, Texas, because of the failure of the State to meet the conditions imposed by Congress. These conditions are:

"1. That the State shall afford proper protection to the fishes cultivated; and

"2. That the Commissioner of Fisheries and his duly authorized agent shall be accorded the right to conduct fish cultural work and all operations connected therewith in such manner and at such times as they may regard as necessary and proper."

I deem it proper to call your attention to this matter at this time in the hope that appropriate legislation may be passed which will remedy the alleged existing handicaps about which the Department of Commerce seems to have had occasion to complain.

Respectfully submitted,

W. P. HOBBY,
Acting Governor of Texas.

Bills and Resolutions.

By Senator Harley:

S. B. No. 6, A bill to be entitled "An Act to further regulate the conducting of fish hatcheries and the propagation of fish in this State by amending Article 4000 of the Revised Civil Statutes of this State, 1911, as amended by Chapter 146 of the 33rd Legislature, providing for the distribution by the State fish hatcheries of fish to private persons, providing that the Game, Fish and Oyster Commissioner of the State of Texas, as well as the United States Commissioner of Fisheries, or their duly authorized agents, may take or catch brood-fish from the public fresh waters of this State, for the purpose of propagation; according to the United States Commissioner of Fisheries and his duly authorized agents the right to conduct fish hatcheries and fish culture and all operations connected therewith in any manner and at any time that may by them be considered necessary and proper; providing for a closed season on crapple, bass and catfish; prescribing the size of fish that may be taken; providing a penalty for a violation of this statute, and declaring an emergency."

Read first time and referred to the Committee on Criminal jurisprudence.

Morning call concluded.

The Senate as Court of Impeachment.

At 10 o'clock a. m. the Senate, upon suggestion of Senator Dayton that the hour had arrived, resolved itself into a Court of Impeachment for the continuation of the trial of Governor James E. Ferguson.

PROCEEDINGS.

Tuesday, September 4, 1917.

Morning Session.

Senate Chamber, Austin, Texas.

(Pursuant to adjournment, the Senate sitting as a High Court of Impeachment reconvened at 10:00 o'clock a. m.)

Honorable W. L. Dean, President Pro Tempore, presiding.

The Board of Managers and their counsel were present.

The Respondent and his counsel were present.

The Chair: The hour having arrived for the convening of the Senate as a Court of Impeachment, the Sergeant-at-Arms will give notice that the Senate is now convening as a Court of Impeachment.

Sergeant-at-Arms: (At the door of the Senate.) Oyez! Oyez! Oyez! the Senate sitting as a Court of Impeachment is now in session.

The Chair: The Senator from Jefferson will come forward and take the oath as a member of the Court of Impeachment.

(Thereupon, Senator V. A. Collins, of Jefferson County, presented himself at the bar of the Senate and was administered the following oath by the Chair:)

Do you solemnly swear that you will impartially try James E. Ferguson, Governor of Texas, upon the impeachment charges submitted to you by the House of Representatives, and a true verdict render according to the law and the evidence, so help you God?

The Chair (To Counsel for Board of Managers): General, you may proceed.

General Crane: Mr. President, will you have Mr. H. F. Blum called, please?

The Chair: Let's have order, now, the Sergeant-at-Arms will keep order.

Senator Gibson: Mr. President.

The Chair: The Senator from Fannin.

Senator Gibson: Before the proceedings begin, I want to make a request of the Court: it appears that it is going to be necessary for me to be absent a few days, and I intend, if I receive the unanimous consent of the Court, to leave tomorrow at eleven o'clock for Washington, to be gone about four or five days. I will not make the trip, will not leave if there is any one, any member who opposes it or thinks it is not proper, or not prudent or right for me to go; I want the unanimous consent of the Court, for the reason that it will obviate any criticism or any question about the matter in the future, I want the Court and each member of it to be perfectly square with me about it, and if it is improper or imprudent I do not want to go; but I feel that it is necessary,

and I feel that I ought to go—but I can forego it if necessary.

Senator Lattimore: Mr. President. The Chair: The Senator from Tarrant.

Senator Lattimore: The Senator from Fannin spoke to me about the very important business calling him to Washington, and I told him privately what I say now, that if he informs himself fully from the Journal of the Senate as to all the testimony that comes from any witness during these days of his absence, that I see no impropriety in his absentsing himself. But so as to test the matter, I move that the unanimous consent be given by the members of the Court and by the Court to the Senator from Fannin for a few days leave of absence.

The Chair: The Senator from Tarrant moves that the unanimous consent of the Court be given to the Senator from Fannin for a few days leave of absence.

Senator ———: Why would the consent of the Court be necessary to be given unanimously? I rather think that if he asked the unanimous consent, that that would give him the unanimous consent of the Court.

The Chair: The point was to get it in the record, the gentleman from Tarrant wanted to get it in the record, that is all.

(The motion was put by the Chair, unanimously carried, and it was so ordered, that the consent of the Court be given to the Senator from Fannin for a few days absence.)

The Chair (To Counsel): General Crane, are you ready to proceed?

General Crane: I am waiting for the witness, Mr. Blum. Mr. Sergeant-at-Arms, will you call Mr. Blum in again?

Senator Bee: Mr. President, has the Chair made the announcement with reference to the members of the House of Representatives?

The Chair: No, sir.

Senator Bee: One of them spoke to me a minute ago, and I wasn't certain whether they understood that we had arranged for their places.

The Chair: Thank you, we will call attention to it right now.

Senator Bee: Yes, sir.

The Chair: The Bar of the Senate, for the members of the Court proper, including the officers of the Senate, the Managers for the House,

and the Respondent himself, and Counsel on both sides, will be from this edge of the second row on in (indicating). Then, from the front edge of the second row back to the rear of the space occupied by the desks of the Senate, will be reserved for the members of the House of Representatives, and back of that for those who have the privileges of the floor. Does the Sergeant-at-Arms understand that arrangement?

Sergeant-at-Arms: Yes, sir. They will be seated back here (indicating).

The Chair: Yes, sir. Put the chairs anywhere from this edge, from the second row back, where the members of the House of Representatives will be privileged to sit.

Senator Hopkins: Mr. President.

The Chair: The Senator from Denton.

Senator Hopkins: Would that deprive these Senators who are behind that line of the use of their seats?

The Chair: Well, we suppose that the members of the Court will want to get in where they will hear better; of course, they won't occupy the seat of any Senator who wants to occupy it himself, but a number of chairs will be put in there so as to give an opportunity to the members of the House to hear the trial. Of course, we want to give all the facilities possible to every member of the House who wants to hear the trial, so they will be able to hear the trial under favorable conditions.

Thereupon, the Proponent's witness,

H. F. BLUM,

resumed the witness stand, and in answer to questions propounded, further testified as follows, to wit:

Direct Examination (continued)
By General Crane.

Q. Did you make a list since last evening (to the reporter)? Take that out. Did you foot up the amounts of the several deposits of the State officers with the Temple State Bank during the period that they were doing business with them?

A. Yes, sir.

Q. Separately?

A. I did, yes, sir.

Q. What is the amount of the deposits of the two Banking Commissioners?

A. (Referring to papers.)

Senator Lattimore: I would like

for the stenographer to read that last question, Mr. President.

The Chair: Mr. Stenographer, please read the last question.

(The stenographer thereupon read the question as follows, to wit:)

Q. What is the amount of the deposits of the two Banking Commissioners?

A. The total of the deposits made by John S. Patterson as Commissioner was \$79,777.50. The total amount of the deposits made by Charles O. Austin and John G. McKay—

Q. No,—

A. I beg your pardon, by Charles O. Austin, Commissioner, was \$32,268.50.

Q. The total?

A. \$112,046.

Q. How much—\$112,046?

A. \$112,046, yes.

Q. All right. Now, have you the total deposits of the two secretaries of State?

A. I have, yes, sir. The total deposits made by the Secretary of State was \$596,380.18.

Q. That covering the entire period?

A. That covered the entire period by both Secretaries.

Q. And the Governor—the amount of the Governor's deposit, as already stated

Senator Bee: Mr. President, we have missed that amount. Will you please restate it?

A. \$596,380.18.

Senator Bee: Is that the total of both?

A. Yes, sir, that is the total of both Secretaries, yes, sir.

Q. Now, the Governor's deposits you have already stated were \$51,800, I believe?

A. The Governor's account?

Q. The Governor's account.

A. Yes, sir.

Q. \$51,800,—was it?

A. The total deposits were \$51,985.68, that is correct.

Q. All right. Now, what were the total deposits of all the State officers in the Temple State Bank?

A. Well, now, I haven't listed them together. (Figuring.) The total of all deposits made with our bank by the officers of the State was \$760,411.86.

Q. Those funds were transferred from—mailed from the Austin banks to the Temple Bank, weren't they?

A. Part of them were.

Q. Were mailed by the Secretary of State and deposited there?

A. Sent through the mail.

Q. Sent through the mail? The deposits thus made through the mail consisted of what?

A. Checks, as I remember.

Q. Checks on some other bank?

A. Yes, sir.

Q. The amount that the Governor carried up there at one time, \$60,000, that consisted of one draft, didn't it, or check, drawn on some other bank in Austin?

A. I don't remember about that one, General, I don't remember that particular item.

Q. Well, you do not remember whether he brought a bundle of checks or just simply one?

A. No, I don't, I don't remember who brought it, or whether it was mailed or how it got there.

Q. Well, you know that the \$250,000 deposit consisted of five \$50,000 checks, don't you?

A. No. I know that was deposited in Austin to our credit, as I remember. I don't know whether one check or two.

Q. You do not know about that? How did you get it all moved up there to Temple?

A. I don't know as it was ever all moved up there.

Q. Well, look about the 29th of May at your account with the Secretary of State, and see if there wasn't deposited in your bank about that time, or a few days later, in June, \$250,000, on one day?

A. It was, yes, sir.

Q. What?

A. It was, yes, sir.

Q. Well, I am asking you, then, how that was gotten there—you know it was gotten there in one day?

A. Well, if it was in the Austin bank, it was mighty easy to charge the account and credit the Austin bank.

Q. I understand that very well, but I am trying to get you to tell how it was done in that particular instance?

A. Well, just as I am explaining, the Austin bank was charged and that account credited.

Q. Exactly. There was no transmission of the actual funds, except by credits?

A. None that I know of, no, sir.

Q. You do not remember about that?

A. I do not, no, sir.

Q. Then, you are undertaking, to

tell the way that could have been done, rather than the way that it was done.

A. Well, as I remember, that was the way it was done. I am not exactly clear on it, I didn't handle all the transactions.

Q. To be sure. Now, have you a list of the notes of Governor Ferguson covering the period named?

A. I have, yes, sir.

Q. All right. What was the amount of the notes, and how much was he indebted during the periods of these overdrafts?

A. That is a hard question, General. I have got the notes as they were made, and as they were paid.

Q. All right, give us that list and we can do the figuring ourselves, possibly?

A. All right. On January 16, 1915, —I will read the James E. Ferguson notes first—was a note for \$30,000 due January 16, 1916, it was paid or renewed on February 13, 1917. December 4, 1916, was a note for \$25,000.

Q. What was that, now—December 4th what?

A. 1916.

Q. Wait. Was there no other note between January, 1915, and December, 1916?

A. No personal James E. Ferguson notes.

Q. Well, go ahead.

A. Due January—due January 4, 1917; it was paid or renewed on February 13, 1917.

Q. How much?

A. \$25,000. December 4, 1916, \$25,000, due February 4, 1917, paid or renewed February 13, 1917.

Mr. Hanger: Pardon me. Are there two notes, do you remember?

A. Two of even amount, yes, sir.

Mr. Hanger: Yes, sir.

A. October 28, 1916, a note for \$10,000, due May 28, 1917; paid or renewed February 13, 1917. March 20, 1916, a note \$4,028.90, due November 20, 1916, paid or renewed February 13, 1917. December 9, 1916, \$10,570, due May 1, 1917, paid or renewed February 13, 1917. January 22, 1917, \$37,500, due December 1, 1917; paid February 22, 1917.

Senator Lattimore: What was the date of that one, Mr. Blum?

A. January 22, 1917. January 1, 1917, \$8,600, due January 1, 1918; paid June 28, 1917.

Q. Now, wait, before you leave that—that is the first time you have mentioned that \$8,000 note, isn't it?

A. I don't know whether it is or not, General.

Q. Now, that note was in existence in 1915, and consisted of \$11,000 and— isn't that so?

A. Well, the first time on our records—the first time this note appears since January 1, 1917, is this date I have just read, June 1, 1917.

Q. Well, but now, as a matter of fact, haven't you a memorandum that the note was carried over from a failing cotton concern there, and that Governor Ferguson assumed it or took it over and endorsed it, and that there was a payment made—it was for \$11,000, and a payment was made of some \$3,009, February 15th?

A. I remember the cotton note there, all right, but I am not clear whether this is the same note, and about the time there, General—I don't know the exact amount.

Q. All right. Go ahead?

A. On December 23, 1915, \$37,450, due December 23, 1916. This note was taken by us on June 28, 1917.

Q. What did you say the date was?

A. December 23, 1915.

Q. 1915?

A. Yes, sir.

Q. Well, now, when was it due?

A. December 23, 1916.

Q. Well, now, what did you say—that note was taken by you when?

A. Taken by us on June 28, 1917.

Q. Where did it come from?

A. As I remember it came from the American National Bank of this city.

Q. Of this city, yes—

A. The Bell-Bosque Stock Farm note, on January 15, 1915, \$10,000, due August 15, 1915; paid or renewed November 1, 1915. January 15, 1915, \$10,000, due September 15, 1915; paid or renewed November 1, 1915.

Q. Now, wait a minute. There have been two notes running concurrently of \$10,000 each—weren't they?

A. Exactly. August 30, 1915, \$10,000, due September 30, 1915; paid or renewed April 18, 1916.

Q. Now, there were \$30,000 in notes running concurrently, weren't there?

A. Yes, sir. November 30, 1915, \$20,000, due January 1, 1916; paid or renewed April 18, 1916. January 3, 1916, \$20,000, due August 30,

1916; only marked "Renewed," I don't know the date.

Q. Now wait a minute there. I see you had a \$20,000 note in November, payable when?

A. January 1, 1916.

Q. When was the next \$20,000 note given?

A. Given January 3, 1916. That is evidently a renewal of the other note.

Q. Yes. Well, go ahead?

A. December 30, 1915, \$10,000, due August 30, 1916. Only marked "Renewed." I didn't find the date. August 30, 1916, \$20,000.

Q. Now, did you say December 10, 1915?

A. I said December 30th—1915, yes, sir.

Q. Well, now, wait a minute. There was a \$10,000 note in November payable in the spring, wasn't there?

A. November 1st, due January 1 1916.

Q. Well, wasn't there one before that due later, of \$10,000?

A. It may be—on December 30, 1915, evidently this is the same note renewed.

Q. Yes?

A. December 30, 1915, \$10,000, due August 30, 1916. August 30, 1916, \$20,000, due November 30, 1916; paid February 13, 1917. August 30, 1916, \$10,000, due December 30, 1916; paid February 13, 1917. September 1, 1916, \$1,400, due January 1, 1917; paid February 13, 1917. January 22, 1917, \$37,500, due December 1, 1917; paid on—not paid.

Q. That note is in the bank yet?

A. It is.

Q. Now, as a matter of fact, you do know that at the date that \$37,500 note was given, it was the settlement—it was given in part settlement of the Bell-Bosque Ranch business, Bell-Bosque Farm and James E. Ferguson personal account, wasn't it—the notes?

A. I believe that is correct, yes, sir.

Q. Do you not know that there were four notes executed on the same date, due on the same date, for \$37,500 each?

A. There was, yes, sir.

Q. To cover that indebtedness? One of those notes was executed by James E. Ferguson payable to the bank, was it?

A. Yes, sir; that is correct.

Q. And another was executed by the Bell-Bosque people?

A. That is correct.

Q. And another by A. F. Ferguson, his brother?

A. That is right.

Q. And another by J. H. Davis, his assistant private secretary?

A. That is right.

Q. Now, those notes were all given, however, for debts either due by him or due by the Bell-Bosque Farm, weren't they?

A. I believe that is correct, yes, sir.

Q. Now, he gave at the same time his written guarantee that those notes would be paid, didn't he?

A. It seems that—

Q. Haven't you the written guarantee there?

A. No, I haven't. It seems to me I had a letter, something like that, the last time I was down, but it has been misplaced by some of the attorneys or stenographers, or somebody got it; I remember about that.

Q. Yes, sir, there was such a letter, there is no dispute about that. Now, those notes, some of them, were secured by stock of the Bell-Bosque Ranch, weren't they?

A. That is correct, yes, sir.

Q. Others were secured by the stock of the lignite coal mine down in Bastrop County—isn't that right?

A. I believe that is right, yes, sir.

Q. And how were the others secured, do you know?

A. No, I don't remember, General, how the others were secured.

Q. Yes?

A. They were all secured, however.

Q. Now, that left in the bank another note of his upon which a payment had been made in February or thereabouts, amounting in the aggregate to something more than eight thousand dollars, didn't it?

A. Yes, sir.

Q. And then that took no account of the fifteen thousand dollar indebtedness of Mrs. Ferguson, did it?

A. Fourteen thousand, I believe.

Q. All right. Now, at the date of this settlement, we are including the fourteen thousand dollar debt of Mrs. Ferguson, James E. Ferguson and the Bell-Bosque Stock Farm; they owed the Temple State Bank,

in the aggregate, a little more than \$170,000, didn't they?

A. I haven't footed it up, General; it is something like that.

Q. Well, I wish you would foot it up, because we want to get it exact, just as nearly as we can.

A. As I remember, that Mrs. Ferguson note was cared for in the settlement. I am not clear on that; however, I think it was.

Q. I am not talking about that, that it was some time paid—I am not asking you that—

A. (interrupting). Well, if it was cared for—

Q. But I am asking you if it wasn't a concurrent liability with the others when the aggregate of them all amounted to a little more than \$170,000?

A. (Witness makes calculation on tablet.) The total amount, General, as I believe, it is \$158,600.

Q. Oh, well, that takes no account of the \$14,000 and the other money.

A. Well, that was cared for, as I understand it, in the four notes of thirty-seven thousand—

Q. (Interrupting.) Well, you are mistaken about that.

A. I think I am correct about it.

Q. Turn to your books and give us an exact statement now. You are undertaking to state from your recollection. How much was the overdraft of the Bell-Bosque at that time, how much was the overdraft of James E. Ferguson at that time, and what were the live notes at that time. Now, there is no use for us to guess at it. Your books ought to show, oughtn't they?

A. All right, General; what date do you want?

Q. I am wanting the date of that settlement, the giving of those one hundred and fifty thousand dollar notes. January 22nd?

A. All right.

Q. Or was it February?

A. January 22nd.

Q. All right. Now let us get how many notes he owed on that date, how many notes the Bell-Bosque Ranch owed on that date, and how many Mrs. Ferguson owed, if she owed any, on that date.

A. Neither the account of the Bell-Bosque Stock Farm, the account of Governor Ferguson, Personal, was overdrawn at the date of settlement.

Q. Well, what did that indebtedness represent?

A. It represented notes—

Q. (Interrupting). Well, what were the notes?

A. That were due the bank.

Q. All right, how many?

A. They were the notes I was just reading.

Q. Which notes?

A. General, I read you the notes the way they came—the renewal of the notes, and it was exactly—

Q. (Interrupting). But I want to know what notes were alive at the date that the four notes of \$37,500 each were executed, and the Court would like to know that, because we want to know what those notes were taken for.

A. (Witness makes calculation on tablet). All right, I find that the notes that were alive at that time, was a note of Governor Ferguson for thirty thousand dollars, another for twenty-five thousand, another for twenty-five thousand—

Q. (Interrupting). Wait a minute. Now, that is eighty thousand.

A. One for ten thousand—

Q. (Interrupting). Ninety thousand.

A. One for \$5,028.98—

Q. Ninety-five thousand and something.

A. Another for ten thousand and five hundred and seventy dollars.

Senator Hanger: What was that last one?

The Witness: Ten thousand five hundred and seventy dollars.

Q. Those were his notes?

A. All right.

Q. Now, let's get them separately.

A. That makes a total of \$105,598.98.

Q. All right, what else?

A. Then the Bell-Bosque Stock Farm notes appear to have been, one for—one alive for twenty thousand, another for ten and another for fourteen hundred.

Q. What else?

A. That is all.

Q. Now, what about that \$11,000 note—where was that? You haven't included that in any of your statements yet.

A. All right; that was paid on June 28, 1917.

Q. Well, but you are talking— That was paid on June 28, 1917, but it was in existence in January, 1917, wasn't it?

A. All right, yes, sir.

Q. Now, you haven't accounted for that, have you?

A. It appears that it was; all right.

Q. Well, where?

A. I said you are correct. I am adding it on. All right, that makes—

Q. (Interrupting). Now, the Governor's obligations, his notes at that time, amounted to how much?

A. One hundred and forty— The Governor's personal

Q. Yes, the Governor's personal notes.

A. One hundred and five thousand.

Q. Well, but that eleven thousand, I thought you had added; it will make sixteen thousand at least, won't it?

A. All right, \$116,598.90.

Senator Hanger: There is a little extra to that eleven thousand.

A. All right, I added it on to the total at the end.

Q. Well, it is \$11,203. It makes a total of about \$116,700, doesn't it?

A. That note was \$8,600. General.

Q. Oh, but that payment was not made on that until February following, later, or maybe March.

A. All right.

Q. At that time, then— Let's get this into the record right—at that time what was the exact amount of the Governor's indebtedness as evidenced by promissory notes to the Temple State Bank? State those in round figures again, please, so that these Senators may understand.

A. General, I don't remember the exact amount of that eleven thousand dollar note. It was eleven thousand and—

Q. Well, it is about eleven thousand two hundred, I think, something like that.

A. All right.

Q. Maybe a few dollars, more or less.

A. (Witness makes calculation on tablet.) That is \$116,798.90.

Q. As evidenced by his notes. Now, does that take into account all the accrued interest?

A. Most of those notes the interest was paid up on, General; they were mostly all maturity notes, as I remember.

Q. Now, what was the Bell-Bosque notes added to that?

A. The Bell-Bosque notes were \$31,400.

Q. Then that would make a hundred and how much?

A. (Witness makes calculation.) It would make \$148,198.90.

Q. Now, haven't you omitted something? Now, didn't Mrs. Ferguson's \$14,000 note and the accrued interest bring that up to \$170,000, and wasn't the settlement on that basis?

A. According to our record, General, the Mrs. Ferguson note was paid on February 5, 1917, and I don't know whether it was in that or not.

Q. February 5, 1917, and this settlement was made on January 20th, wasn't it—22nd?

A. That is when the notes were dated, but that actual change of notes took place on February 13, 1917.

Q. February 13, 1917?

A. Yes, sir.

Q. Well, then you do know, Mr. Blum. What we are trying to get, are the facts to the Court.

A. All right, you put—

Q. (Interrupting.) You do know that when the one hundred and fifty thousand dollar settlement was made and the notes delivered, and Mrs. Ferguson's paid thereafter, you do know that Mrs. Ferguson's note was not included in the settlement, don't you?

A. No, her note was paid before the settlement.

Q. All right, then, it was not included in the \$150,000 liability, was it?

A. General, it is hard to tell because that settlement ran all the way between the dates of January 22nd and February 13th, and it is beyond me to tell whether it was or not.

Q. Well, you know the eleven thousand dollar note was not included in it, don't you?

A. You are correct there, yes, sir.

Q. I am correct in that?

A. All right.

Q. The eleven thousand dollar note was not included in the \$150,000, was it?

A. No, that was paid on June 28, 1917.

Q. June 28th following. Well, that would have made it at least \$161,200, wouldn't it?

A. All right.

Senator Hanger: That is included.

Senator Bee: Isn't the eleven thousand dollar note included?

The Witness: That is included in here.

General Crane: He has added it in there, and I am trying to demonstrate by the witness that he has added it in there improperly, because he gave \$150,000 in notes to the bank and still owed the eleven thousand dollar note, which he subsequently paid.

Q. That is true, isn't it, Mr. Blum? Isn't it a fact that after these notes were executed, the four \$37,500 notes, making the aggregate of \$150,000, they were delivered in February; weren't they?

A. They were on February—

Q. (Interrupting.) Delivered to the bank February 13th, and then this note of eleven thousand dollars was not paid until the 28th of the following June, was it?

A. That is correct.

Q. Well, then you do know that that eleven thousand dollar note could not have been included in the one hundred and fifty thousand dollar settlement, don't you?

A. All right, yes, sir.

Q. Don't say, "All right"; say whether I am correct or not. Is that right?

Senator Hanger: We think that is argumentative, Mr. President, that is argumentative. The bank may have made a mistake and it is not proper to argue to the witness and demonstrate here. Let the witness testify; this is his own witness—

General Crane: I think it is—

Senator Hanger: Just a moment.

General Crane: I beg your pardon.

Senator Hanger: This is his own witness, and he has not been an unwilling witness, and he ought to bring up the facts and the notes that are outstanding and the debts that are outstanding; and if it is demonstrated here that they took notes for too much, then it is their misfortune and the misfortune of the gentleman who made the notes.

General Crane: No,—

Senator Hanger: It is not proper to argue with him.

General Crane: I think, Mr. President, that I am pursuing the only method possible with this witness. He has demonstrated—I tried to get him to give us the list of all the notes making the \$150,000.

Senator Hanger: Well, he has given you all he has.

General Crane: Now, just wait a minute. Now, after he has done that, he then admits that after four notes of \$37,500 each were given to the bank to pay the \$150,000 which was owing it, that it still left an old note for \$11,000 in the bank unsatisfied, which was not paid for several months thereafter. Now, I am entitled to keep pressing that point upon this witness until he admits the fact that his books show that. Now, I don't think there is any mistake about it. The record of the correspondence which will be put in here later, will show that each man very well understood what he owed, and I don't think there will be any dispute about it, that those notes at the time they were given, the indebtedness of the two concerns and Mrs. Ferguson together, was more than \$170,000, and so that is in line with the proof that is being made here now. Now, this young man is—he is our witness, we have summoned him, your honor, but I don't think that he is a swift witness for us, we are doing our best to get at the facts, and I am making no complaint there except that I hope that the President will not hamper me too much but will let me go forward in the ordinary way.

Senator Hanger: If your Honor, please, there is no desire to ask the Court to hamper the General, but the General knows, if he will pardon me for this statement, how this \$14,000 note was paid, and out of what fund it was paid, it has been explained to him, that is, what funds it was paid out of. It was not paid out of the four notes, but out of a loan with the Great Southern Life Insurance Co. at Houston. We undertake to say, and it will be demonstrated here, in the confident belief that this statement made by the bank as to the amount of this indebtedness—these notes were executed, but it will be demonstrated here that they were signed for too much. And therefore, this is not an unwilling witness, this is not a witness seeking to evade anything; he is not subject to the imputation that the General makes, and they ought not to be permitted to argue with him or intimate to the Court that he is seeking to conceal something.

General Crane: Now, Mr. President, I am glad that the distinguished counsel and myself are so nearly together. I do know that it has been proved over and over again that the fourteen thousand dollars was not included in those four notes of \$37,500 each, but was paid by a loan of the Southern Life Insurance Company, which made the amount of the indebtedness there accounted for \$164,000. I do know also that this eleven thousand dollar note was not paid until subsequently, and, therefore, it was impossible for it to have been included here, and that would have made the indebtedness about \$175,000. But I must say to counsel, in all candor, as well as to this Court, that this is the first intimation that I ever have had during the two investigations and this trial that those four notes were executed for more than was due that bank; that is the first intimation I have of that, showing that continued investigation may perhaps create some surprises—

Senator Hanger: And develop the truth.

General Crane: Sometimes.

Senator Hanger: Right here.

The Chair: I will suggest to counsel that leading questions may be permissible under certain circumstances. The objection made was that the question was argumentative. I do not remember the form of the question, but counsel need not argue with the witness, if he were doing so.

General Crane: Well, I was trying to get the witness to admit a fact, and they call that an argument.

Senator Hanger: Well, our objection is that counsel continues to say that he is trying to get the witness to admit a fact. He ought to be trying to develop the facts, and it is not fair to this witness nor to this investigation to continually declare that he is trying to get this witness to admit a fact. He is trying to develop certain facts, and then we will see what the truth is. I object to the statement which he makes.

General Crane: Well, I suppose that calls for no ruling from the President, and so I will proceed.

Senator Hanger: I think so myself, but I'm going to reply to your insinuations every time.

Q. Now, do your books show what credit was taken for the \$150,000, what was done with that money; what was

done with the proceeds of those notes, what became of them?

A. Why, it was used—

Q. (Interrupting). No, but don't your bank books show what entries were made?

A. I haven't got all of them down here. Evidently they will show it, certainly.

Q. Well, how long before you can get those sheets here?

A. As soon as I can phone for them, I suspect.

Q. Well, you can get them here by tomorrow morning?

A. I can.

Q. All right, then we will pass that over until we get proper information as to what was done with those proceeds.

A. Explain what you want, please, sir.

Q. I want the entries made of that settlement of \$150,000. I want the books or records showing what credits were entered and what disposition made of the proceeds of those four notes of \$37,500 each.

A. All right.

Q. Now, we called on yesterday for you to give us the letters of the Governor to the bank and from the bank to the Governor. Have you furnished us with those?

A. I have all that could be found, General, yes, sir.

Q. Now, have you a statement of that "Escrow" or "Special" account?

A. I have, yes, sir.

Q. Let us have that please. (Witness hands sheet to counsel). Now, Mr. Blum, what is the date of the beginning of this account, "Jas. E. Ferguson, Special"—November 1, 1913?

A. Yes, sir.

Q. The first deposit is \$2,000, is it?

A. No, sir.

Q. Where is the first deposit (Witness points out place on sheet). No, it is up above that, isn't it?

A. Forty dollars.

Q. The first deposit is \$40.83, then again there is \$275—is it, what is that?

A. Thirty-five and a half.

Q. Yes, thirty-five and a half. Then December 15, 1913, \$2,000; January 13, 1914, \$431. That is right, isn't it?

A. Yes, sir.

Q. March 16, 1914, \$2,000; March 19, \$2,000; September 22, \$2,000.

What is that? (Counsel points to sheet.)

A. October 13th, a check.

Q. All right. April 19, 1915, \$2,000; May 24, 1915, \$2,000; June 22, 1915, \$2,000; August 11, 1915, \$2,000; September 23, 1915, \$2,000; November 2, 1915, \$2,000; November 3, I fancy. You haven't marks there, but—

A. Those are all November.

Q. All November, 1915. These are drafts, aren't they, or checks?

A. Drafts, yes, sir, checks.

Q. Well, are these all the deposits, now?

A. Yes, sir; go on; here is another one.

Q. November 24th, \$2000; December 8th, \$2000; March 15, what is that—\$40?

A. Forty dollars.

Q. What is this here?

A. That is nineteen thousand.

Q. That is the total, is it? Well, a deposit on the 31st of December of \$19,229.27, and then on March 15th, \$40. What is the date of the first check against that?

A. October 13, 1914.

Q. October 13, 1914, there was a check of \$507 against it, and then there were no more checks until November, 1915, were there?

A. You are right.

Q. On August 23rd— No, I withdraw that question for the present. Have you got the Banking Commissioner's reports there, Mr. Blum?

A. No, they were not delivered to me.

General Crane: Mr. President, the Banking Commissioner sent up his reports this morning. Did he leave them in the custody of the President?

The Chair: We requested him this morning to send it.

General Crane: He sent them up by a messenger.

The Chair: They are not here. (Addressing a clerk): You had better go down and see if you can get them. Tell him we will need them in the course of the examination.

General Crane: Mr. President, will you indulge us a moment until those reports come? I thought they were here.

The Chair: Yes, sir.

Q. Do you know the share of stock that Governor Ferguson owned in that bank at that time and now?

A. Oh, possible three hundred,

or three hundred and twenty, something like that.

Q. I wish you would speak so these gentlemen can hear it.

A. About three hundred shares.

Q. More than three hundred shares?

A. Three hundred and twenty-two, if I remember exactly.

Q. Wasn't the bank paying interest on deposits during a part of the time it had the State's money there?

A. Well, all banks pay—

Q. Now, just answer, your bank?

A. Well banks pay interest on time deposits, yes, sir.

Q. Well, isn't it true that the Temple State Bank didn't only pay interest on time deposits, but it was paying interest on checking deposits?

A. We followed the ordinary custom of country banks, yes, sir.

Q. Just answer my question, is it true?

A. We did, yes, sir.

Q. What per cent were you paying on checking accounts?

A. Two per cent.

Q. Checking account?

A. With other banks, yes, sir.

Q. I am not asking that—

A. There is a difference between banking account and personal account, General.

Q. Wait until I ask the question, please. Individual deposits, were you not paying interest on individual checking deposits?

A. I believe the city and county, General, we were paying interest on.

Q. City and county, you paid Bell County 7 7-8 per cent per annum on their checking account, didn't you?

A. I don't remember the exact figures, something like that.

Q. What is your memory?

A. About seven, if I remember right.

Q. Seven seven-eighths, wasn't it? What were you paying the city on its checking account?

A. It is three or four, I don't remember which, General.

Q. On their checking account?

A. However, that was a large sinking fund.

Q. All of the county has a sinking fund has it? Don't it include current expenses of the county.

A. For your information they usually keep most of their money in

a sinking fund; they have a private checking account.

Q. You say keep most of it in a sinking fund?

A. Ordinarily most of it is, as large as that.

Q. A sinking fund is created for paying bonded indebtedness?

A. I think that is right, yes, sir.

Q. They checked out all the current expenses of the county, the upkeep of the jail and the pay for the officers, isn't that so?

A. Yes, that is right.

Q. And all of the county expenses and road funds, and bridge funds, and all those things, were deposited with you, weren't they?

A. Yes, sir, I believe so.

Q. And they were checked out, too, weren't they?

A. They were.

Q. Did you have a school fund account?

A. We did, yes.

Q. That was payable to the school teachers at the end of every month wasn't it, whenever they presented their vouchers?

A. It was.

Senator Bee: I can't hear the witness.

A. It was, yes, sir.

Q. I believe you stated, Mr. Blum, that your capital stock was \$125,000?

A. That is right, yes, sir?

Q. Some of that consisted of real estate, didn't it?

A. We had a capital stock—didn't consist of real estate—we had a bank building that carried a \$150,000.

Q. Well, that was an investment of the bank, wasn't it?

A. Yes, sir.

Q. But I am speaking of your assets, your liabilities, your resources.

A. All right.

Q. Of the assets of the bank, in whatever form they consisted, \$150,000 of it was in real estate wasn't it?

A. It was, yes, sir.

Q. That is, for a part of the time.

A. All right.

Q. Now I exhibit to you the report of the Bank Examiners of date March 30, 1917. That is the statement of your resources as made at that time, is it not so?

A. Yes, sir.

Q. Now at that time your loans

and discounts were \$238,545.87, weren't they?

A. All right.

Senator Bee: What date, General?

General Crane: March 30, 1917.

Q. Your bank, and bankers deposits on which you were likewise getting two per cent per month, I fancy, \$41,169.46—no, you were paying interest on that, weren't you?

A. That is correct, yes, sir.

Q. Paying interest on \$41,169.46? You paid two per cent on the balances? Now at that time your individual deposits were \$406,645.51. Now where is the item which showed what you owed other banks and bankers—that is money, your liabilities, I guess—up here I guess (indicating) Now at the same time you drew from other reserve agents \$179,870.64?

A. That is correct, yes, sir.

Q. Now will you be good enough to make a total addition there of the amount of your bank deposits, that is, the amount you had with other banks, reserve agents, and your individual loans and discounts? (Handing witness paper.) You had loaned to your individual customers and to other banks at that time the sum of \$418,415, hadn't you?

A. That is loans to our customers and the money deposited with other banks, yes, sir.

Q. Well, let's not talk about words now; the money that you had deposited with other banks you got two per cent on, didn't you?

A. That is correct, yes, sir.

Q. And the \$238,545 was money that you had loaned to your customers there in Temple and that territory tributary thereto?

A. That territory.

Q. Now let's see how much cash this shows you had in the bank at that time.

A. Fifty-eight thousand

Q. You had \$58,000 in cash in your vaults, is that true?

A. Well, that was cash and checks, both, yes, sir.

Q. Cash, and checks on file, cash items? Now do you know what your reserve was, required to be kept in the bank?

A. Well, banks always keep more than the required amount.

Q. I am not asking that. About fifteen per cent isn't it?

A. I believe that is required.

Q. Well, fifteen per cent of your individual deposits would mean about \$58,000 or \$60,000, wouldn't it?

A. I don't believe it would be that much, would it?

Q. Well, look; there is about \$400,000, and it seems to me fifteen per cent is nearly sixty thousand?

A. That's all right.

Q. Isn't that so?

A. That is correct.

Q. That is correct. Now the last one was June 30, wasn't it?

A. I think that is correct, yes, sir.

Q. Now that was just after—no, it was just before you had taken out these deposits. Now your loans and discounts at that time, June 30, 1917, were \$284,439.26, weren't they?

A. Yes, sir.

Q. The amount that you had deposited with other banks and bankers, subject to check—no, reserve agents, \$208,208.85, wasn't it?

A. Yes, sir.

Q. Then the amount of your deposits with other banks subject to check was \$30,007.90?

A. Yes, sir.

Q. Will you add those three items together please, and see what you were getting interest on at that time?

A. Read them to me.

Q. \$284,439.26; \$208,208.85; \$30,007.90.

A. \$522,644—

Q. \$522,644? At that time you had cash in bank, total cash on hand \$45,883.21, didn't you?

A. That is correct, yes, sir.

Q. What rate per cent was ruleable and chargeable for your immediate individual loans?

A. Eight or ten.

Q. Eight or ten per cent? The Government account then was pretty valuable, wasn't it?

A. What account?

Q. The account of the government officers.

A. That money could not be loaned, General, but a very small amount of it.

Q. Why couldn't it be loaned?

A. Well, we didn't know when it was going to be checked on.

Q. Wait a minute. Now see if you won't want to modify the statement, Mr. Blum: you had on deposit at that time individual deposits \$523,450.65, didn't you?

A. All right, yes, sir.

Q. All right. Now, you didn't have but \$45,000 in the bank. Where was the rest of that money, if you didn't lend it out?

A. It was with other banks.

Q. Well, you were getting two per cent on it, weren't you?

A. All right.

Q. There were \$284,439.36 that were not with other banks?

A. Correct.

Q. That was individual deposits?

A. Correct.

Q. You were getting eight or ten per cent on that, weren't you?

A. Yes, sir.

Q. Then the money you had in other banks amounting to about \$238,000, a little less than you had loaned to individual customers, you got two per cent on that, didn't you?

A. Yes, sir.

Q. Now, do you not want to modify your statement that you could not loan out the State money, when you didn't keep but about \$45,000 on hand?

A. General, banks don't call their checking accounts with other banks "lending money."

Q. I am not talking about what they call it, I am talking about what they profited in?

A. No, I still don't want to modify it, because I don't call that a loan, I call it a checking account.

Q. Now, will you look back to your account and see what the deposits of the government officers were in your bank on the—this is dated the 30th day of March,—no, it is not given—the 29th day of June; let's see just how much money the government is supposed to have in your bank at that date.

Senator Hudspeth: What do you mean by Government, General, State or National?

General Crane: I mean State Government, or rather belonging in the hands of State officers.

Q. What is the Secretary of State's account, that day, what is the daily balance?

A. That is June 30, is it, General?

Q. June 29.

A. June 29.

Q. Yes, sir. Wait a minute, the examination commenced at 8 o'clock the 29th and ended the 30th. Take either day,—better take the 30th, the last day, I reckon.

A. All right. There was a total on that day of \$356,138.

Q. All right. A total of \$356,000 and how much?

A. \$138.

Q. Just wait a minute—that is your Secretary of State. What is the next?

A. No, that's all of them together.

Q. That is all of them together? Well, wait a minute. Now, your total individual deposits on that day were \$523,450.65? Take the Government deposits now on that, in the hands of State officers, from that \$533,450.65. Now, what is the amount of your individual deposits after deducting that that belonged to the people, to the State.

A. \$167,312.

Q. \$167,312. were the individual deposits of the citizens and the people in the community?

A. That doesn't include time deposits there, General; they are kept under a separate account you see.

Q. You mean you had a savings account?

A. We have that, and also time.

Q. Point out where on this page—I suppose these are intended to be complete?

A. Yes, sir.

Q. Any other items there that ought to be included?

A. Yes, sir, fifty-two, General.

Q. All right. Demand certificates of deposit, \$52,234. Add that to your \$167,000 and see what that gives you?

A. \$219,546.

Q. \$219,546? Now, you had loaned out to your individual customers \$284,439.26, hadn't you?

A. You have the figures there, General.

Q. I don't want to testify now. That is right, isn't it?

A. \$284,439, yes.

Q. Now, will you tell this Court you had not loaned out any of your State's funds to your individual customers of the bank,—just state if it is not true that your loans to your individual customers exceeded by more than sixty thousand dollars the amounts of the deposits that you had in the bank less that belonging to the State officers?

A. That is correct, yes, sir.

Q. That is correct? And in addition to that you had deposited in the various banks over \$238,000, and had

\$45,000 in the vaults of your bank, \$45,883, isn't that right?

A. Just a minute, General; you omitted our deposits, deposits from other banks, I believe.

Q. Yes, so I have, so I have. But now these deposits, the banks, were subject to checks just like ours, weren't they?

A. They were, yes.

Mr. Hanger: You will have to talk louder, Mr. Blum.

A. They were subject to check, yes, sir—that is on another page, General.

Q. I will get it in a minute, it is right down here—here it is over here (indicating). The deposits of other banks that you had were as follows, were they not?

The First State Bank of Pendelton	\$ 8,871.36
First National Bank of Holland	1,107.51
Heidenheimer State Bank	5,050.22
Farmers Bank of McGregor, \$23,59.—no, I have got that wrong, McGregor	174.06

Did I give you that once before?

A. No.

Q. Central State Bank of Coleman	23.59
First National Bank of Killen	6,030.50

Making a total of.....\$21,257.34

Well, now, Mr. Blum, if you had used all of the individual deposits except those made by the State officers, and all that had been made by the individual banks in your bank, you would have still had to have had a little more than \$40,000 of the people's money before you could have made all of the loans that you did make during that period, wouldn't you?

A. Yes, sir.

Q. Now, you can't tell when you get money in the bank, when it is deposited there, you can't tell to whom you loaned that, can you?

A. No, sir, not as far as the money is concerned.

Q. It goes in the vaults, a common fund, it is drawn on for whatever purpose it may be used, and you cannot discriminate between it and any other money, can you?

A. You are correct.

Q. Now is it not true that the only way that a bank could protect

itself against not lending short time deposits or checking deposits, would be to keep a larger reserve in the vault so that it may meet these checks when presented?

A. State that question again, General.

Q. Isn't it true that the only way in which a bank may protect itself so as to be able to pay the short time deposits on demand would be to keep a larger reserve in the vault?

A. Not necessarily in the vault, might keep it in some other bank.

Q. Well, keep it with some other bank and get a smaller amount of interest on that, is that right?

A. That is correct.

Q. Did the Temple State Bank ever get any deposits from these State officers before Governor Ferguson was elected Governor?

A. I don't know about that, General.

Q. Not within your knowledge, were there?

A. No, sir, I don't know.

Senator Bee: I didn't hear the answer.

A. I said I didn't know.

Q. What did you say was the amount of the State's deposits on that day, three hundred and how many thousand dollars?

A. Three hundred and fifty-six thousand.

Q. Three hundred and fifty-six thousand. Now on that date you had deposited with other banks, legal reserves and otherwise, \$238,216.75, didn't you?

A. Two hundred and thirty-eight thousand, that is correct.

Q. Now, you had forty-five thousand dollars in your vault, didn't you?

A. All right, sir.

Q. Forty-five thousand eight hundred eighty-three dollars. Now could you have taken all of your deposits from the other banks and paid the State deposits if they had all been demanded on the same day,—and all of your reserve?

A. Well, you will have to read the amounts there, then.

Q. Well, add the amounts of your reserve and deposits with other banks.

A. What are the deposits with other banks?

Q. Well, you have got that there—\$238,216.75.

Senator Hudspeth: General, will you permit me to ask a question?

The Chair: The rules require that any Senator desiring to ask a question must put it in writing. That is one of the rules we have adopted.

Senator Hudspeth: I just want to ask—

The Chair: The rules require that the question be put in writing.

Senator Hudspeth: I will adhere to it, but at this time I would like to ask the question if he had his entire capital stock invested in that building at that time?

General Crane: More than the capital stock. The capital stock was \$125,000, and the building was worth \$150,000.

Senator Hudspeth: I will adhere to the rule after this, your honor. I had that on my mind and wanted to get it off.

Q. Now, what was the amount of bank deposits you had—two hundred and thirty-eight thousand?

A. Two hundred and eighty-four thousand and sixteen dollars.

Q. No, you've got the wrong figures. I want to get the amounts you had of deposits with other banks?

A. All right. Two hundred and thirty-eight thousand—

Senator Hudspeth (interrupting): Your Honor, I had observed other Senators asking questions, and had not observed Your Honor invoking that rule.

The Chair: The Chair will not indulge in a controversy with you, but the rule is that questions must be in writing.

Senator Hudspeth: I observed the Senator from Bexar asking questions.

Senator Bee: No, sir. When they would state an amount, I would say, "Was that a hundred and sixty-five thousand?" or something like that.

Senator Hudspeth: Isn't that a question?

Senator Bee: No, sir, not in that sense.

Q. What was the amount—total amount of the reserve and the money deposited in banks?

A. \$284,016.

Q. Well, now, what did you say was the amount of the State's deposit.

A. \$356,138.

Q. \$356,338. Well, if you had used every dollar of the money you had in reserve and every dollar you

had deposited with banks, how much would you have been short in paying the State officers their sums of money if it had been demanded on the same day?

A. General, let me see that a minute, please, sir.

General Crane: All right. (Hands paper to witness.)

A. Thank you, sir.

Q. You would have been short at least seventy thousand dollars, or about that, wouldn't you?

A. Seventy-two thousand.

Q. You would have lacked seventy-two thousand of being able to pay it. Now, then, if those little banks over there which had deposited \$21,257.24, you would have been still shorter, wouldn't you?

A. If they had checked it out, you mean?

Q. Yes.

A. Yes, but then if all of our depositors had checked out we would have been shorter still.

Q. Yes, but the fact is, if you kept your legal reserve there and used all the money deposited in the banks, then how much would you have had to have gotten to pay the State officers—\$45,800 more, isn't it? Add that to the balance you have down there—\$45,883.21.

A. Well, General, in the event that—

Q. (Interrupting.) Just answer the question, please. I don't want to argue it now with you. Just answer the question, how much would you have been short?

A. One hundred and seventeen thousand.

Q. \$117,000. Well, now, can you not state to the Senate as a Court that the bank was obliged to use the deposits of the State officers in its daily business in order to meet its daily liabilities?

A. Some of it was used, yes, sir.

Q. Must have been, wasn't it? Now, since the first Investigating Committee sat, can you not state whether or not Governor Ferguson has not had an overline of credit at that bank, even since then—that is to say, didn't he owe the bank more than \$37,500?

A. I read you the list of notes, General.

Q. I know, but you haven't answered my question. Can you not state and do you not know whether Governor Ferguson since the first

Investigating Committee has on two occasions owed the Temple State Bank more than \$37,500? Well, to help refresh your memory, when did the bank—Temple State Bank take over from the American National Bank of Austin Governor Ferguson's note of something over thirty-four thousand dollars?

A. June 28, 1917.

Q. Did he have any other obligation in the bank at that time?

A. No, sir.

Q. When was that eleven thousand dollar note paid?

A. On the same day.

Q. The same day. Didn't he have a note in that bank of thirty-seven thousand five hundred dollars?

A. No, sir.

Q. Never had one?

A. He had one, but it was paid February 22nd.

Q. February 22nd—that is, it was taken over?

A. No, it was paid.

Q. Sir?

A. It was paid, as far as I know.

Q. Well, was it taken over by the Houston National Exchange Bank?

A. No, sir.

Q. Well, then, you say it was there on February 22nd of 1917?

A. I said it was paid February 22, 1917.

Q. I see. Did you have a Bell-Bosque Stock Farm note in that bank at the same time or at any time thereafter?

A. Yes, sir, still got one.

Q. Didn't you get two of the Bell-Bosque Stock Farm notes back from the bank at Houston?

A. No, sir, I don't think we ever did.

Q. Didn't you get the A. F. Ferguson note back, on which the Governor was guarantor, and the J. H. Davis note?

A. We got them back, yes, sir.

Q. What date did you get them back—April 7th, wasn't it?

A. I don't remember offhand, General—April 6th or 7th, yes, sir.

Q. Sir?

A. April 6th, I believe it is, here on this book.

Q. Have you got the date?

A. April 6th, yes, sir.

Q. April 6th. Now, who owed those—he was on them as guarantor?

A. No, sir, his name was not on the notes.

Q. Oh, well, he had a separate instrument

A. Well, I am not an attorney; I don't know about that.

Q. Well, you know whether you had a separate instrument or not?

A. We had a letter.

Q. Well, don't the letter say he guarantees the payment of those two notes?

A. I don't remember the words, but something like that, I think.

Q. Well, you exhibited it in the House?

A. Yes, I had a letter of that description.

Q. Now, Mr. Blum, didn't you testify in the House examination that when you took over that note from the American National Bank of Governor Ferguson's—it was \$37,450, wasn't it?

A. It was, yes, sir.

Q. Well, now, didn't the Bell-Bosque Stock Farm owe the bank at that time a note for thirty-four thousand dollars?

A. Thirty-seven thousand, I believe, General.

Q. Thirty-seven thousand five hundred—and didn't Governor Ferguson and the Bell-Bosque Ranch, the two together, owe that bank \$74,450?

A. I believe that is what the two aggregated, yes, sir.

Q. That they owed at that time. Now, that was when—that was July 10, 1917, wasn't it?

A. Yes, they were both there at that date.

Q. Both there at that date. Well, now, didn't the bank own them both at that date?

A. They did.

Q. Wasn't Governor Ferguson indebted to the bank on March 3 and 4, 1917?

A. Only for that eleven thousand dollar note.

Q. Well, now, you are basing that on the hypothesis that he was released from the \$150,000, all of which the bank held at that time, didn't it?

A. No, sir, part of it had been paid.

Q. How much of it had been paid in March?

A. The Governor's personal note for thirty-seven thousand five hundred was paid in February.

Q. What date in February?

A. The 22nd.

Q. The 22nd day of February. Then it held, the other three notes for thirty-seven thousand five hundred each, didn't it?

A. It did, yes, sir.

Q. Now, you knew at that time that was accommodation paper, didn't you?

A. Well, I suspected it was.

Q. You knew that A. F. Ferguson had not owed the bank anything up to that time, had he?

A. He had not up to that time, no.

Q. When that note was executed by him, J. H. Davis, Junior, had not owed the bank anything up to that date, had he?

A. Yes, he had been borrowing very small amounts.

Q. But you knew that that thirty-seven thousand five hundred was Governor Ferguson's indebtedness, didn't you?

A. Well, I didn't know, General; I thought it was.

Q. Yes. Then the Bell-Bosque Ranch owed the other thirty-seven thousand five hundred?

A. It did, yes, sir.

Q. Yes, and with this eleven thousand dollars, if Governor Ferguson were responsible for that, he would be owing the bank at that time something over eighty-seven thousand?

A. That is correct.

Q. Now, when were those notes first taken over by the Houston National Exchange Bank? March 7th, wasn't it, or March 8th?

A. The 7th, as I remember it, General.

Q. If Governor Ferguson in his speech in the House or in the Senate on the 3d day of March, 1917, stated that he had paid that bank all he owed it, he was mistaken, wasn't he?

Mr. Hanger: Well, we object to that, because it is an argument.

The Chair: The objection is sustained.

General Crane: The objection is sustained?

The Chair: Yes, sir.

General Crane: Very good.

Q. Now, for a long time that bank building was carried at fifty thousand dollars?

A. No, sir.

Q. A hundred thousand.

A. Yes, sir.

Q. When was the valuation raised?

A. I don't remember exactly—something like six months ago, I guess.

Q. How long ago?

A. About six months, something like that. I imagine—I don't remember exactly, General.

Q. Were you there when the Bank Examiners were there and examined this bank?

A. I think I was, yes, sir.

Q. Did they make any complaint to you of this overline of credit?

A. I don't know about that, General.

Q. Did you hear them make any complaint as to this overline of credit?

A. No, sir, not that I remember of.

Q. You recognize this as a part of the Bank Examiner's report, don't you, of June 8, 1916?

A. It looks it, yes, sir.

General Crane: As part of this witness' testimony, we offer the report of the Bank Examiner as to these overlines of credit. "On this page the Examiner will first note all violations of the banking laws, stating whether they are intentional or willful," and so forth. "The violations under which this institution is laboring are those of excessive lines of Hon. Jas. E. Ferguson and Bell-Bosque Farm of \$81,165.55 and \$46,140.25, respectively, \$48,505.94 of which is represented by overdraft. It is my opinion that the above situation is of material seriousness and the reduction of same to comply with the requirements of the State bank law is imperative. It is entirely possible that a continuation of such condition would lead to much embarrassment for all concerned and careful consideration of same, as well as lengthy discussion with officers, forces me to make above recommendations. While I did not call together the directors of this bank, it was because the above situation was not known to them generally. Messrs. Jarrell and Hull and Maresh having not been advised of same, and in this I trust I have your approval. You must admit that this is an unusual condition, meriting prompt action, and while this is an unusual condition, and while I have no disposition to be guided by views other than would meet with your approval, I think immediate attention is necessary. You can readily realize the hardship that would be heaped upon this institution by

these excessive lines, representing more than their capital stock, under stringent conditions and in view of this fact, together with the existing violation, I see no reason why arrangements could not be made to bring about the above. In addition to the above this institution has admitted losses of approximately \$35,000, as shown by page 3, for which arrangements for removal should be made. Directors Harrell and Hull, who have recently been elected as such, have not been advised of this fact and in this respect it was my suggestion that same be made known to them, which I trust you approve. With a view to protecting the best interests of the bank the active management have refrained from taking the above step, but after discussion and consideration of same it was decided that, regardless of disposition of same, little could be saved by delay and will accordingly act. Regarding the excessive overdraft, as is noted from statement, it is my suggestion that same be closed by note prior to next called statement, as this fact published may be detrimental to the best interests of the bank, as well as being evidence of the inconsistency of this department in insisting upon the co-operation of State banks in the elimination of overdrafts. I trust you approve of my action in this respect. Exclusive of admitted losses listed on page 3 this bank has quite a number of loans, which are at this time in the hands of attorneys, over six months past due. While action on same is very slow, it is the opinion of the management that no loss will result other than is shown on page 3. Numerous differences were noted on their bank statements, some of which were of long standing and inexcusable, for which I accordingly criticised and was assured that their immediate attention towards adjustment would be had."

Mr. Hanger: What is the date of that, General?

General Crane: This is June 8th, 1916. Perhaps I had better read it all. "Other minor matters, such as electing director to fill vacancy of K. S. Hull, who failed to qualify within the required time; receipting and delivering stock certificates; approval of officers' bonds; proper signing of minutes, were all called to the attention of the management,

who assured me that same would have their attention in accordance with our desires. I consider the management of this bank efficient and honest, as well as fairly conservative, conducting their affairs in a safe and satisfactory manner, other than the above, and trust that you approve my conclusion in this examination, on which I have spent three days. As will further be noted on page 5, deeds of trust, in several instances, have not been recorded, all of which were called to the attention of management for action."

Senator Page: Mr. President, would it be permissible to ask what bank examiner signed that statement? I don't want to transgress the rule, but would like to know.

General Crane: Eli Marks is the examiner. I will follow that up with the next report, of date August 26th, 1916, in which he uses this language—Eli Marks, the same man: "Little change is noted in the condition of this bank since last examination. They are still operating under violation of Section 173, through indebtedness of Mr. Jas. E. Ferguson of \$89,974.65 and Bell-Bosque Stock Farm of \$46,140.25, both of which remain unchanged approximately. In accordance with my instructions at last examination, overdraft of Mr. Jas. E. Ferguson of \$30,974.65 and Bell-Bosque Stock Farm of \$16,140.25 has been placed in the form of bills receivable. However, note for above amounts was signed Bell-Bosque Stock Farm by Mr. H. F. Blum, assistant cashier of institution. I instructed that separate notes be executed for the respective overdrafts and by parties authorized to sign same. As is noted on page 3, slight improvement is shown in list of admitted losses, which at this time amount to \$32,271.25, and it is the opinion of the active officers that no further reduction in these lines will be had."

Senator Bee: Mr. President, may I ask the name of the examiner who made that report?

General Crane: Eli Marks.

Mr. Hanger: Eli Marks made all of them.

Q. I believe he is still in the employ of the Department, is he not, Mr. Blum?

A. I think so, yes, sir.

General Crane: Now, I will go back to January 1st, 1916. The

same man makes this report. He says: "In violation of Section 89 of Cureton & Harris' Digest of the State Banking Law, this bank"—meaning the Temple State Bank—"is carrying a line for James E. Ferguson in the sum of \$73,000.00 as well as that of the Bell-Bosque Stock Farm of \$58,000.00. The general condition of this bank at this time is good, having had good collections this fall and at this time, a total reserve of 47 per cent. The loans of this bank would be subject to no special mention other than the exceptions on directors' report, which was compiled after careful discussion and consideration. It is their desire to remove from their assets loans listed on first page of this report, amounting to approximately \$48,000.00. It will be noted since that examination, sales of the stock held in the Heidenheimer State Bank has been made, to which protest was formally entered by Mr. Jas. E. Ferguson, shareholder. It will serve as such notice, which has also been duly entered in the minutes of said meeting. At meeting held by directors on December 26, 1916, an agreement was entered into between officers and directors of the Temple State Bank and"—that must be a mistake; it is dated on the first day of January, 1916, and he is reciting something that occurred on December 26th, 1916. I take it he meant it for December, 1915.

Mr. Hanger: He must have misdated it for January 1, 1917; that's a common mistake. Look at the file mark on the report, Senator Lattimore suggests.

General Crane: Yes, that's right, 1917. At any rate, "It was agreed that within the next thirty days at the instance of Mr. Ferguson the Temple State Bank would place on deposit with any two banks in this State the sum of \$50,000 each, for a period of twelve months from such date. Such money to be carried to the credit of the Temple State Bank and subject to their check at the expiration of the above time and with banks of good solvent reputation. In lieu of the above a reduction in the lines of the Bell-Bosque Stock Farm and Mr. Jas. E. Ferguson to \$30,000 and \$25,000, respectively, would be given. Such indebtedness to be carried by the Temple

State Bank until January 1, 1918, and to be secured to the satisfaction of the directors of the Temple State Bank."

General Crane: Before offering any further piece of testimony, Mr. President, it is so near twelve o'clock if that is your adjourning hour—I wish to conform to the rules and desires of the Court—

Senator Bee: Mr. President.

The Chair: The Senator from Bexar.

Senator Bee: I move that we recess until 2 o'clock. I want to bring up at another time the matter of having regular hours for the Court to hold.

(Thereupon, at 12 o'clock m., upon motion of Senator Bee, the Senate, sitting as the High Court of Impeachment, recessed until two o'clock p. m.)

PROCEEDINGS.

Tuesday, September 4, 1917.

Afternoon Session.

Senate Chamber, Austin, Texas.

(Pursuant to the recess adjournment, the Senate sitting as a Court of Impeachment reconvened at 2 o'clock p. m.)

The Chair: The hour has arrived for the convening of the Court. The Sergeant-at-Arms will see that all those are retired who are not entitled to be present.

Sergeant-at-Arms: All those who are not entitled to the privileges of the floor will retire.

The Chair: The Court will come to order. (To Counsel): Gentlemen, are you ready to proceed?

General Crane: We want the witness—

Senator Hudspeth: Mr. President.

The Chair: The gentleman from El Paso.

Senator Hudspeth: The Senators are not all here. I am going to ask that the Court stand at ease, subject to the call of the Chair, until the Senators arrive, which I take it will be in a minute.

The Chair: The Senator from El Paso moves that the Court stand at ease subject to the call of the Chair, to give the Senators a little further time.

Senator Lattimore: A question of information: has this Court the right

to fine a delinquent member of the Court who is not present when the Court convenes?

The Chair: The Chair thinks that will be futile, there is no possible way of collecting it. Those in favor of the motion of the Senator from El Paso, that the Court stand at ease, will indicate by saying "Aye:" those opposed, "No." The Court will stand at ease for a few minutes.

(The Court stood at ease until 2:10 p. m., at which time the proceedings were resumed as follows, to wit:)

The Chair: The Court will come to order.

General Crane: Mr. Sergeant-at-Arms, will you bring the witness, Blum, in?

Mr. Hanger: Here he is (indicating Mr. Blum on the stand).

Thereupon, the witness,

H. F. BLUM,

resumed the witness stand, and in answer to questions propounded, further testified as follows, to wit:

General Crane: Mr. President, as part of this witness' examination, and to help his memory and clear it away, I will read a letter of Governor Ferguson of January 23, 1917, to C. A. Hughes, Cashier of the Temple State Bank, showing the application of the \$150,000 (reading):

"Mr. C. A. Hughes, Cashier,

"Temple State Bank,

"Temple, Texas.

"Dear Gus:

"Pursuant to our recent agreement, I herewith enclose you the following:

"One note for \$37,500.00, dated January 22, 1917, due December 1, 1917, signed by J. H. Davis, Jr., having attached thereto as security 373 shares of the capital stock of the Bastrop Lignite Coal Company;

"One note for \$37,500.00, signed by A. F. Ferguson, dated the same day and due at the same time, having attached thereto 400 shares of the capital stock of the Bell-Bosque Stock Farm as security;

"One note of the Bell-Bosque Stock Farm for \$37,500.00, dated the same day, and due at the same time;

"Also my note for \$37,500.00, together with a deed of trust securing the payment of same, bearing the same date and due at the same time; all of said notes bearing eight per cent interest from date.

"The proceeds, to wit: \$150,000.00, of

these notes are to be placed to my credit and charged against said amount will be three of my personal notes, aggregating \$80,000.00, and the interest thereon, and the two notes of the Bell-Bosque Stock Farm, aggregating \$30,000.00 and the interest thereon, and \$25,000.00 in notes, represented by two notes of \$10,000.00 each and one note for \$5,000.00, which I understand were discounted with the National Reserve Bank of Kansas City, the Houston National Exchange Bank of Houston, and the Citizens National Bank of Eastland, which notes I will thank you to forward to me, together with a release of the deed of trust securing the note of \$30,000.00. The note of \$14,000.00 of my wife, I am arranging with the Great Southern Life Insurance Company to take up, and it will be done just as soon as the papers can be written.

"Please send me full statement upon receipt of the enclosures herein mentioned.

"Yours truly,

(Signed) "Jas. E. Ferguson."

Q. Will you take up now your special account of James E. Ferguson, Governor, and let us see when that money was checked out? You read the amount of the deposits before, now be good enough just to read the amounts of the checks and the dates of the checks?

A. October 13, 1914, \$507; November 3, 1915, \$2,681.82; November 4, \$2,428.16; November 8th, eleven hundred—

Q. What year are you reading now?

A. Still 1915.

Q. Yes?

A. November 8, \$1,196.22; November 17, \$720; November 19, \$582.09; November 20, \$1,218.87; November 27, \$733.78; November 30, \$61.30; December 4, \$1,157.24; December 7, \$990.84; December 8, \$232.20 and \$6.156; December 13, \$573.53; December 16, \$341.13; 18th, \$156.02; February 3, 1916, \$24,000. That is all.

General Crane (To Counsel for Respondent): The witness is with you.

Cross Examination

By Mr. Hanger.

Q. Mr. Blum, let me have that, please, sir? (Taking paper.) In 1916, at the time that these examinations were made by the Bank Examiners—or the Bank Examiner—

Governor Ferguson was not in any official way connected with the Temple State Bank, was he?

A. No, sir, he was not.

Q. He had not been since becoming Governor, in 1915

A. That is correct, yes, sir.

Q. He at that time resigned the presidency, was succeeded by Mr. Poe—that is right, isn't it?

A. Yes, sir, that is right, yes, sir.

Q. He resigned the position of director in the bank?

A. Yes, sir.

Q. And at that time he had nothing whatever to do with the management, direction or control of the bank—that is true, isn't it?

A. That is correct.

Q. He was there very seldom?

A. That is right, too, yes, sir.

Q. His residence was at Austin all during that time?

A. Yes, sir.

Q. And he was there a very few times between the 15th day of January, 1915, and up to this time, in fact

A. That is correct.

Q. Has been there very little? Now, the officers who had direction and control of that institution were Mr. H. C. Poe and Mr. C. A. Hughes?

A. That is correct, yes, sir.

General Crane: Senator Hanger, may I ask the witness a question?

Mr. Hanger: Certainly, sir, go ahead.

General Crane: The bank reports show that you signed the note for the Bell-Bosque Stock Farm. How did you happen to do that?

A. I don't remember, General—that was—I didn't recall the circumstance until you read it this morning—that was, I suspect—I don't know how it happened, General, I don't remember.

General Crane: You did do it, though?

Senator Bee: We cannot hear the witness, Mr. President.

The Chair: Speak louder, Mr. Blum.

Mr. Hanger: Speak louder.

General Crane: How did you happen, as assistant cashier of the bank, to sign a note for the Bell-Bosque Company to the bank, that is what I would like to know Did you have special authority?

A. No more than possibly direc-

tions from one of the higher officers of the bank.

General Crane: That is all.

Q. (Mr. Hanger, resuming): Did you read all—is this statement that you read off of where that charge of \$6156, I can't find it on there (indicating on sheet)?

A. No, that is the Governor account, it is the special account.

Q. That is the special account you just read just now, on the special account, some charge of \$6156?

A. Yes—December 8th.

Q. Is that charged back here anywhere (indicating on sheet)?

A. (Examining sheet.) Yes, I think so.

Q. Where is it charged back?

Mr. Cummings: Credited back.

Q. Credited back

A. Credited back.

Q. Credited back, I mean, of course. Isn't it a fact, Mr. Blum, that \$6156, was a check drawn against the account of the Governor, James E. Ferguson, Canyon City Normal Fund, was charged against J. E. Ferguson—James E. Ferguson special account of \$6156, and then, on account of that being a mistake, had to be cut out?

A. This \$6156 was a mistake, that was credited back in this \$19,000 deposit right here (indicating on sheet)—you are correct.

Q. It was credited back?

A. Yes, sir.

Q. Now, that was this check here, wasn't it (indicating on sheet)—wasn't that the amount that was by a mistake of the officers of that bank, in charge of it, charged against the James E. Ferguson special account (showing paper to witness)?

A. That is for the same amount, yes, sir, appears to be the same item.

Q. Now, afterwards—who made that mistake—did you handle it, or did Mr. Hughes handle that?

A. No, this was the bookkeeper.

Q. Oh, I see—I see. So, that a check of \$6156 against the Governor's account—the Canyon City Normal fund—was charged against his special account?

A. That is correct, yes, sir.

Q. Yes, in 1915—is that right?

A. That is correct, yes, sir.

Q. Yes, sir. You testified yesterday—but before I get to that (To the Reporter) strike that out. This letter that General Crane has just

read contains a statement of the notes to be taken up, aggregating \$135,000?

A. Yes, sir.

Q. Do you know that the \$14,000 note—that was Mrs. Ferguson's, that was a note of Mrs. Ferguson, wasn't it

A. It was, yes, sir.

Q. Secured by a mortgage on Bell County lands, black land?

A. That is correct, yes, sir.

Q. It was the obligation—stood on the books of the bank as the obligation of the Governor's wife?

A. That is correct.

Q. When that note was taken up by an additional mortgage given on that land to the Great Southern Life Insurance Company, wasn't the bank paid by Mrs. Ferguson at that time?

A. That is what I understand.

Q. Now, that was not figured in as a part of the Governor's liabilities to the bank?

A. Which?

Q. That \$14,000

A. No, sir.

Q. These various notes here aggregating \$135,000 constituted all of the obligations that the Governor had in the bank at that time, except the Whitley Cotton Company note?

A. So far as I know, yes, sir.

Q. Yes, sir?

A. Yes, sir.

Q. Now, you say that your recollection is that most of these notes were maturity notes, and consequently that they bore little interest, that little interest was due at that time—at the time of the settlement?

A. That is my understanding. Most all of our notes are maturity notes, yes.

Q. Yes. Here is eighty—that Whitley Cotton Company note was known—or rather, the note given to Alex Meer & Company of Temple, that was what was known as the Whitley Cotton Company note?

A. That is correct.

Q. It was originally \$8500, wasn't it?

A. Yes, sir.

Q. Will you take a piece of paper there and see how you arrived at the amount that you claimed was due at the time of this settlement? Have you that tablet that you had there this morning?

A. That is all right. (Figuring.)

Q. Yes, \$8500 was the principal,

it was given January 3, 1914; it seems here, from the face of the note, that you figured it up on the third day of February, 1917, three years and a month, it bore seven per cent interest, tell us what the interest was on that—there is a tablet there, Mr. Blum (indicating)?

A. (Figuring.) There would be \$1834.58 interest.

Q. At seven per cent?

A. At seven per cent. That is three years.

Q. \$1800, how much?

A. \$1834.

Q. Now, then, add that to the principal, \$8500?

A. That would be \$10,334.58.

Q. Well, tell me how you made \$11,243.07 due on that note—that is figured right there on the face of it, how did you do it?

A. I didn't do it, Senator.

Q. Well, the bank did it. Now, take the amount there that you arrived at, at seven per cent, and subtract it from the amount that the bank figured up against the Governor here on that note?

A. (Figuring).

Q. How much too much did you figure?

A. It looks like we have got about \$908.49 too much out of this.

Q. Yes? Now, you credited that note with \$3,000.00 and what—it is right in front there—no, on the back?

A. \$3,029.29.

Q. \$3,029.29? What date?

A. On February 13, 1917.

Q. Yes, but the figures were made as it appears from the face of the note, on the 3rd day of February, 1917?

A. They are, yes, sir.

Q. Yes, sir—he made a new note for \$8,600.00—was it?

A. Eighty-six, I believe is the amount.

Q. Now, isn't this true, if you—take \$135,000.00 there, please, sir?

A. (Figuring).

Q. That is \$35,000.00 less than \$170,000.00, isn't it?

A. Yes, sir.

Q. \$15,000.00 less than \$150,000.00?

A. Yes, sir.

Q. If you add \$11,000.00 to that, it makes \$11,200.00 and what?

\$243.07.

Q. \$11,243.07? Add that to

the \$135,000.00—what does that make?

A. That makes \$146,243.07.

Q. Take that from \$150,000.00?

A. (Figuring). That would be \$3,756.93.

Q. After crediting that note with \$3,000.00 and some dollars, how much balance did it leave on the Governor's account to him—did it leave any?

A. You mean according to our books?

Q. According to your books, take his account there and see if you credited him with any balance—his account?

A. (Referring to ledger sheet). No, sir, we didn't.

Q. Yes? Now, is it not a fact, Mr. Blum, that there was not anything like that amount of interest due by him on those notes?

Was there an overdraft left there?

A. No, sir, no, sir, he had a credit balance.

Q. Of how much?

A. \$81.65.

Q. All right, after this transaction was all closed and these four notes of \$37,500.00 each had been executed and turned in to the bank?

A. That is correct.

Q. Now, is it not a fact that in that transaction, that these notes aggregating \$135,000.00, that appear herein, in this letter, there on page 143—is it, Mr.—

Mr. Harris: One hundred and forty-five.

Q. One hundred and forty-five, aggregating \$145,000.00, that you added in the \$11,000.00 note, when you ought not to have added but \$10,000.00?

A. That is correct, yes, sir.

Q. That you had that in that statement, and then had the exact entry, not for \$8,600.00, after crediting him with the balance between that and \$150,000.00?

A. Apparently so, yes, sir.

Q. Has the bank any fixed policy about how many times it collects these notes?

A. Well, as a rule I think they collect them once.

Q. Now, that settlement was made by Mr. Hughes and Mr. Poe, wasn't it?

A. It was. Of course—

Q. Of course, I am not claiming that it was anything but a mistake though, Mr. Blum. When was it Mr. Poe went out—to get that

fixed—it was after that date anyhow, was it?

A. Yes.

Q. Yes—all right. Now, this—you spoke about the two notes, the A. F. Ferguson for \$37,500.00 note, and the J. H. Davis, Jr., notes, you said they got back into the bank on April 6, 1917?

A. Yes, sir.

Q. They were returned from the Houston National Exchange Bank on that date, they did not stay there but three days, did they—they were sent back to Houston on the 9th of April?

A. Yes, sir.

Q. Weren't they?

A. Yes, sir, you are correct.

Q. That is to say, they came back to the Temple State Bank from Houston on the 6th day of April, 1917, and for some reason were returned to the Houston bank on the 9th?

A. That is correct, yes, sir.

Q. You know nothing about the reason—

A. No, sir.

Q. —that that was done?

A. No, sir.

Q. Now, has your attention ever been called before to the fact that the bank figured \$908.49 on that \$8,500, the Whitley Cotton Company note?

A. No, sir, it wasn't.

Q. That it had made a mistake in its favor and against the Governor of nearly a thousand dollars—or \$908, to be exact?

A. No, sir, I didn't know that.

Q. You did not know that before?

A. No, sir.

Q. Did you know that, figuring the compound interest—compounding the interest, that it does not amount to as much as you charged him with?

A. I see here where it does not, yes, sir.

Q. Yes, sir. Now, that fund there of James E. Ferguson, Governor—in the account of James E. Ferguson, Governor, will you find that—that account was closed April 26, 1916, wasn't it, by a check for \$21,000 some hundred dollars?

A. The Governor account?

Q. All except \$1,297.50, I mean?

A. Yes, sir, that is correct.

Q. All except \$1,297.50, that account was closed on April 26, 1916?

A. April 13th.

Q. I was wrong about the amount of the check—?

A. You were calling the balance, not the checks?

Q. Yes, yes. Well, I realized that as soon as the Governor called my attention to it?

A. It was the 13th, though, not the 26th.

Q. That is all right, April 13, 1916. Now, when was that deposit of \$1,297.50 put in there?

A. That was put in on December 21, 1915.

Q. Do you know what account that is?

A. No, I don't.

Q. You do not know what that is, there is nothing on there to show that it was the King's Highway fund?

A. No, sir.

Q. You do not know about that?

A. No, sir.

Q. All right. Mr. Blum, is it not a fact, or do you know, that that amount should be charged—the \$1,297.50 should be charged with some additional payments that were made?

A. Well, it has been.

Q. It has been credited since that was done?

A. There has been two charges against it, yes.

Q. Since that?

A. Yes, sir.

Q. What do they aggregate, do you know?

A. Well, one was \$192.25 and the other was \$260.90.

Q. How much does that amount to?

A. About \$453.15.

Q. What does it leave in that account there?

A. Eight hundred and forty-four dollars and thirty-five cents.

Q. Eight hundred and forty-four dollars and thirty-five cents. You don't know that that, added to seven hundred and some dollars in the American National Bank, made up the total of the King's Highway Fund—you don't know?

A. No, I don't know anything about that.

Q. And has been turned over to Governor Hobby?

A. No, I don't know that.

Q. You are simply testifying, of course, as to that item and only and solely what appears there on that sheet from the bank books?

A. That is correct, yes, sir.

Q. Now, getting back to the time when the Canyon City Normal fund or the James E. Ferguson, Governor, account, all except that amount of \$1,297.50 was closed out April 13, 1916. This overdraft, with the exception of the very short time in the early spring of 1916, of the Governor's, about which you have been asked so much here, began on June 1, 1916?

A. June 1st, yes, sir.

Q. 1916?

A. Yes, sir.

Q. At that time, the total amount of State funds to the credit of James E. Ferguson, Governor, was \$1,297.50, or had that gotten in there? Yes, it had gotten in.

A. Yes, sir.

Q. One thousand two hundred and ninety-seven dollars and fifty cents?

A. Yes, sir.

Q. This item that General Crane asked you about yesterday afternoon of \$5,600, now, the date of that charge was made on the—was the 23rd day of August, 1915?

A. Yes, sir.

Q. That is right, isn't it?

A. Yes, sir.

Q. On that date he had in the Special Account \$16,000.33 to his account—to his credit in the special account?

A. Sixteen thousand dollars and thirty-three cents, yes, sir.

Q. Yes. This \$5,600 was charged to the Canyon City Normal fund or the James E. Ferguson, Governor, account?

A. Yes, sir.

Q. The Temple State Bank charged the Governor ten per cent on overdrafts, didn't it?

A. Yes, sir, we did.

Q. At all times when he had an overdraft, it charged him ten per cent?

A. Yes, sir.

Q. If they had charged this to the special account—to the personal account, I mean, why, you would have collected—the bank would have collected and realized interest on that charge, wouldn't it?

A. Yes, sir.

Q. Of ten per cent, you would, wouldn't you?

A. State that question again, please.

Q. If you had charged that \$5,600

to his personal account the bank would have realized ten per cent, wouldn't it?

A. Yes, sir.

Q. On the amount?

A. On the overdraft.

Q. Yes, on the overdraft. By charging it to the Canyon City Normal Fund, the bank realized no interest at all, did it?

A. No, sir.

Q. And reduced its income and its deposits that much?

A. It did, yes, sir.

Q. Respectively, that is,—the deposits that much and its income then the amount of the interest. Now, all of these statements— It is a fact, isn't it, Mr. Blum, within your knowledge, that the Governor's affairs, financial affairs, personal affairs, were transacted by Mr. Hughes there in the bank, and Mr. J. H. Davis, his Assistant Private Secretary, here in Austin?

A. Yes, sir.

Q. That was true largely and almost entirely even before the Governor came to Austin.

A. Yes, sir, that is correct.

Q. When statements were rendered, within your knowledge, they were always sent to J. H. Davis, Jr., Assistant Private Secretary?

A. That is correct, yes, sir.

Q. They asked you about the amounts deposited by the various State officials. I want to ask you first about that \$5,000 item. That seems to be a stationary item; it hasn't changed, so far as you know?

A. No, sir.

Q. You know what that is—do you know what it is composed of?

A. I have since been told.

Q. Well, you can't tell what you have been told. Do you know of your own knowledge what it is?

A. No, sir; no, sir.

Q. Now, the other fifteen thousand—the ten thousand dollars making up the fifteen that General Crane was talking about yesterday afternoon,—that is a balance, isn't it, Mr. Blum, of ten thousand dollars left over after the settlement was made on July 12, 1917, two months ago?

A. That is correct, yes, sir.

Q. Do you know of your own knowledge that this ten thousand dollars that was collected after the first of July, and the only settlement that was made or could be made, was the collections made by the Secretary of

State and turned over to the State Treasurer up to the first of July, do you know that?

A. You have got too much question there. I didn't get it all.

Q. Well, do you know that the amount settled for and checked out of your bank embraced only collections up to the first of July, 1917?

A. No, I don't know.

Q. You have no knowledge of that, then?

A. I don't know about that, no.

Q. Yes?

A. That was at this end of it down here.

Q. I see. Have you there on those various statements and those various accounts a statement also showing the checks that were given, checking the accounts out?

A. I have, yes, sir.

Q. Now, he asked you about the amount of the Secretary of State's account on the 30th day of June, was it, 1917? First, the 29th, and I believe the question was finally put to you on the 30th day of June, and you gave that amount.

A. All right.

Q. What was it ten days after that?

A. What date would that be?

Q. Well, say, the 12th or 13th or 14th day of—15th day of July.

A. The 15th day of July.

Q. That would be 15 days after.

A. On the 15th of July it was \$15,000.

Q. Fifteen thousand dollars.

General Crane: That is more than ten—go on.

Senator Hanger: What is—fifteen is?

General Crane: It is more than ten days.

Senator Hanger: Yes. Well, I changed the question so as to be fifteen days—I changed that. I thought it was understood probably that fifteen was more than ten, however, (laughter).

Q. Now, then, on the 30th day of June, 1917, the deposit was the amount you stated this morning?

A. It was, yes, sir.

Q. On the fifteenth day of July, 1917, the other money had been paid to the State out of your bank?

A. It had, yes, sir.

Q. Leaving only a balance of \$15,000?

A. That is correct.

Q. The old \$5,000 that went in there first, and ten thousand of some other

amount, and from some other source that you do not understand and cannot explain?

A. That is right, yes, sir.

Q. Now, where is the statement—have you the statement there showing the checks against it?

A. Yes, sir, they are right here; I have all the checks.

Q. Read them, please, that is, the Secretary of State's account.

A. The Secretary of State's—you want me to just read the checks?

Q. Beginning at the top.

A. All right, May 16th, \$85,420.64.

Q. When?

A. 1916.

Q. Now, whose account is that—McKay's or—

A. No, this is— Yes, McKay's.

Q. Well, I thought so, but I wanted it to be in the record.

A. May 16th, 1916, \$85,420.64.

Q. Now, that is a check against the account in your bank?

A. Yes, sir, that is right.

Q. Checking it out?

A. July 14th is another check for \$33,550.14.

Q. Just a minute, what was the first—May, what?

A. May 16th and July 14th.

Q. Now the next one?

A. October 13th, \$2,567.70; April 16th, \$110,000; July 11th, \$230,000.

Q. Now, just a minute, from the dates there, October 13th, 1916, until April, what was the balance there?

A. Until February 7th, it was \$5,000.

Q. That is what I am getting at. Now, from October 13, 1916, when settlement was made with the Treasurer by the Secretary of State, until February 7th, the balance was only that old \$5,000?

A. That is correct.

Q. Then on February 7th there was some further deposit made, and then settlement made in April?

A. That is correct.

Q. February, March, April—two months after more money got back into the bank settlement was made?

A. That is correct.

Q. What date in April?

A. The 16th.

Q. And what amount?

A. \$110,000.

Q. You mean that was April, 1916, don't you?

A. Yes, sir.

Q. Well, then the other dates

back yonder were in '15, that you read from first?

A. Oh, I beg your pardon, this last was in 1917, Senator.

Q. April?

A. Yes, sir.

Q. That's all right, that was my mistake. All right, your settlement of April 16th was in 1917?

A. Yes, sir.

Q. And that was \$110,000.00?

A. Yes, sir.

Q. When was the next one?

A. July 11th, \$230,000.00.

Q. That is within three months of the settlement of April 16th?

A. Yes, sir.

Q. Two hundred and what?

A. Two hundred and thirty thousand.

Q. Two hundred and thirty thousand dollars—that is checked out?

A. It is.

Q. To the State by your bank?

A. Yes, sir.

Q. Uhuh.

A. July 13th was another one, \$20,000.00.

Q. For twenty thousand, that would make \$250,000.00?

A. Yes, sir. July 14th was another one for \$99,841.70.

Q. That would make three hundred and forty-nine thousand—

A. That is correct.

Q. And some hundred dollars.

A. Eight hundred and forty-one.

Q. Eight hundred and forty-one dollars. Now, all of those last three payments—two hundred and thirty, twenty and \$99,841.00, were within three months of the April 16th, settlement?

A. Yes, sir.

Q. Now, that is the last, and that is all that is in the bank now is this \$5,000.00, this old five thousand and the ten thousand?

A. Ten thousand received on July 13th, yes, sir.

Q. July 13th. The Banking Commissioner's account, turn to it, please, sir.

A. Which one?

Q. Well, both of them. Well, you have Patterson's there first, of course.

A. Yes, sir; all right.

Q. The deposits having been read yesterday, Mr. Witness, only read the checks against it.

A. All right.

Q. Giving their dates and amount.

A. September 17th, 1915—

Q. Is that the first check against that account?

A. The first check, yes, sir.

Q. Now, that is the Jno. S. Patterson account?

A. Jno. S. Patterson, Commissioner, yes, sir. Ten thousand and twenty-five dollars.

Q. \$10,025.00?

A. Yes, sir.

Q. A check given on your bank by Jno. S. Patterson?

A. Commissioner, yes, sir.

Q. Commissioner. And paid?

A. Yes, sir.

Q. The next one?

A. December 2nd.

Q. October, November, December. All right, December 2nd.

A. \$17,405.00.

Q. That is 1915?

A. Yes, sir. Now—

Q. Read the year, please, when you read those amounts.

A. All right, March 7th, 1916, a check for \$16,162.50.

Q. Three months, approximately, after the December settlement was the March 2nd settlement.

A. And June 9th, \$18,522.50, that is, 1916.

Q. All right.

A. September 5th, 1916, \$17,062.50.

Q. That is three months after the June settlement?

A. That closes out the account.

Q. One minute, that is, three months after the June settlement—June to July, one, August, September—three.

A. Yes four days less than three.

Q. All right, four days less than three months. Now, that closed out the Patterson account?

A. Yes, sir.

Q. Now, go to the Austin account.

A. All right; its first check was on December 4, 1916, \$15,790; the next one was on March 10, 1917—

Q. How much?

A. For \$16,478.50; that closed out that account.

Q. No deposits on hand there in your bank since that settlement was made?

A. No, sir.

Q. March 10, 1917, that account was closed out?

A. Yes, sir.

Q. Now, those settlements were made by Jno. S. Patterson and by Chas. O. Austin, the Banking Commissioners, during the periods of time mentioned there, every three months, or approximately so, were they not?

A. Yes, sir, they were.

Q. Checks were drawn against your bank for the amounts named there, and paid?

A. Been paid, yes, sir.

Q. What other account there have you—official accounts.

A. Secretary of State.

Q. Well, you have read that one.

A. I have read that, yes. Then the Governor account, that is all.

Q. Well, you have read that?

A. I have read that.

Q. So that is all? Just a minute. Will the President indulge us just a moment to see if we can find a letter? (Counsel looks for letter.) It doesn't seem to be here.

General Crane: (To Senator Hanger.) You can read this one (referring to copy of letter contained in Record of March investigation). We have no objection.

Senator Hanger: All right.

Q. Mr. Blum, didn't the Temple State Bank get a letter dated January 18, 1917, which was in the form of a proposition or letter to the Directors of the Temple State Bank with reference to the execution of these four notes covering the indebtedness of the Bell-Bosque Stock Farm and the Governor both?

A. I believe there was such a letter, but I can't recall it right now.

Q. All right. The letter has heretofore been identified, anyhow, Mr. Blum, and I just wanted to know if you remembered it.

Senator Hanger: We will now read into the record the following letter written by Governor Ferguson on January 18, 1917, to the directors of the Temple State Bank, Temple, Texas. I should state to the Court that this is read from the Investigation had beginning March 7, 1917. The letter is mislaid, but it is agreed that this is a correct copy of the letter as copied into those proceedings.

(The letter referred to was read into the record by Senator Hanger, and is as follows:)

"January 18, 1917.

"To the Directors of Temple State Bank, Temple, Texas.

"Gentlemen: Referring to our negotiations, looking to an adjustment of the affairs of the Temple State Bank, I submit the following as a basis for settlement:

"To pay off an indebtedness of the Bell-Bosque Stock Farm and myself, individually, I will have executed in favor of the Temple State Bank the note of the Bell-Bosque Stock Farm, for \$37,500 due December 1, 1917, and bearing eight per cent interest from date; I will execute my personal note for \$37,500 due at the same time, bearing the same rate of interest, and secured by a lien upon my entire land holdings in Bosque County, amounting approximately to 7500 acres, subject to existing mortgages; will have executed the note of A. F. Ferguson for \$37,500 due at the time and bearing the same rate of interest and secured by the entire capital stock of the Bell-Bosque Stock Farm; I will have executed another note for \$37,500 by some reputable party, due at the same time and bearing the same rate of interest, to which will be attached as security one-half of the capital stock of the Gaston Lignite Coal Company. In addition to this, I will execute my separate personal agreement to personally take up and pay off all of said three notes on said December 1, 1917.

"The indebtedness secured by a lien upon the land of my wife for \$14,000 I will pay off in cash within ten days from this date, should this proposition be accepted.

"As a part of my proposition I will agree to cooperate in the voting of my stock and otherwise in the election of Mr. Jarrell, Mr. Moore, Mr. Heard, Mr. Hughes, H. C. Poe, Wm. F. Blum, Jr., and Mr. Maresh, and two other directors who will be residents of Bell County whom I shall have the right to name, which board, when elected, will have the right with my consent to elect H. C. Poe or any other person suitable to them as president of the board; said position to be held under the laws made and provided in such cases.

"Yours truly."

Senator Hanger: Oh, yes, I want to read also the answer. I think we have that.

General Crane: That is over there.

Senator Hanger: Well, we have that and we will find it, if you insist on it.

General Crane: Oh, no, that's all right.

(The letter referred to was thereupon read into the record by Senator Hanger, and is as follows:)

"Law Office of W. O. Cox,

W. O. Cox.

John W. McLeod.

"Temple, Texas, January 19, 1917.

"Governor James E. Ferguson, Austin, Texas.

"Dear Governor: In behalf of Temple State Bank, we accept your proposition addressed to us on the 18th inst. with reference to an adjustment of the affairs of Temple State Bank, in which we are mutually interested.

"Yours very truly,

(Signed.) H. C. Poe, T. H. Heard, E. W. Moore, C. O. Hughes (Senator Hanger: C. A. Hughes that should be; make that an A.) J. E. Love, H. F. Blum, A. J. Jarrell, by W. O. Cox, Directors of Temple State Bank."

Senator Hudspeth: Pardon me, I would like to have that read again. I didn't catch it.

The Chair: Read the letter again.

Senator Hanger: All right.

(Thereupon Senator Hanger re-read the letter of January 19th, 1917, from the directors of the Temple State Bank, by W. O. Cox, addressed to Governor Jas. E. Ferguson).

Q. Now, that letter of the Governor to the bank was written to the bank and received by the bank and became a part of the bank records, didn't it?

A. Yes, sir, it did.

Q. Open to the inspection of the Bank Examiners or anybody else having the right to see those records?

A. That is correct.

Q. The answer of the bank directors to the Governor, also, became a part of the bank records and open to a like inspection?

A. That is correct?

Q. It is usual and customary, is it not, for banks to pay other banks two per cent on daily balances of funds belonging to such other banks in the hands of a given bank?

A. It is, yes, sir.

Q. That is to say, if the Heidenheimer bank, the Pendleton Bank, or some bank in Waco, Ft. Worth or elsewhere, had a thousand dollars in your bank, it is usual and customary, and you pursued that course of paying two per cent on that amount?

A. That is correct, yes, sir.

Q. Or, on the daily balance in your hands for any given period of time you would pay two per cent?

A. Two per cent, yes, sir.

Q. Now, it is necessary, isn't it, to keep funds in the hands of your correspondents to pay off your paper that comes in their hands from your bank, as against your bank?

A. Use it as a checking account, yes, sir.

Q. Yes, it is necessary to keep those funds in other banks?

A. Yes, sir, it is.

Q. Necessary for other banks to keep funds in your bank for a like purpose?

A. Yes, sir.

Q. That is usual and customary in the conduct of the banking business?

A. Yes, sir.

Q. And always, so far as you know, any bank holding the funds of another bank pays interest on the daily balances in its hands?

A. Yes, sir.

Q. The city and county accounts, the city of Temple and the city of Belton—I mean the city of Temple and Bell county?

A. Yes, sir.

Q. The city of Temple and Bell county—those accounts are secured by competitive bids?

A. They are.

Q. They bid for the accounts?

A. Yes, sir.

Q. They are regarded by bankers as valuable, more than anything else, as advertisement, that they have been preferred by the officials of those banks to hold the funds, as much as anything else?

A. Yes.

Q. Now, those are more stable accounts, are they not, than these funds that General Crane has been asking you about—the Secretary of State—

A. (Interrupting). Yes, as I said this morning, they always have a sinking fund.

Q. And those accounts run for two years?

A. Yes.

Q. The contract was for two years with the county, wasn't it?

A. Yes.

Q. What was the period of the contract with the city?

A. I don't know whether it is one or two; it is practically the same.

Q. A definite, fixed period of time. Now, you say that the sinking fund accounts were kept separate from the other accounts—the regular checking accounts?

A. Yes, they were.

Q. So that the sinking fund account in those two accounts, the city of Temple and the Bell county account, they were fixed amounts—

A. Yes, sir.

Q. Rarely changing?

A. Yes, that is correct.

Q. Those funds were funds which you felt at liberty to handle, lend out, derive profit and income and interest from, because you were not called upon every ninety days to pay it back?

General Crane: I think, Mr. President, I will make the same objection which was successfully made against me, that it is argumentative.

The Chair: The objection is overruled.

Senator Hanger: I thought, Mr. President, that that was a fact within his knowledge, and directed to the question that General Crane put to him about the value of these accounts. I would not have asked it if he had not asked the value of the accounts, and that was the sole purpose.

The Chair: I think it is proper matter on cross examination.

Senator Hanger: Yes, sir. That seems to be all, unless there is something we have overlooked, and we can't think of it now.

Re-direct Examination
By General Crane.

Q. Mr. Hanger drew from you the statement that—(to Senator Hanger: sixty-one twenty-five was it?)

Senator Hanger: Sixty-one fifty-six.

Q. Six thousand one hundred and fifty-six dollars that should have been drawn from the Canyon City fund, that is, the Governor's account, was

erroneously charged to the escrow, or special account?

A. Yes, sir.

Q. I wish you would speak a little louder.

A. That is correct, yes, sir.

Q. Now, you say that was replaced?

A. I did, yes, sir.

Q. When? I wish you would find it, please.

A. On December 31.

Q. When was it drawn out?

A. On December 8.

Q. On December 8, 1916, or 1915?

A. 1915.

Q. On December 8, 1915, \$6,156 was incorrectly charged to the special account?

A. That is correct.

Q. And credited on the 20th day of the same month?

A. The 31st day.

Q. The 31st of the same month, by drawing on the Governor's account?

A. No, I didn't make any statement where it was drawn. It was put back in the special account.

Q. Well, was it charged to the Governor's account?

A. It was, yes, sir.

Q. Charged to the Governor's account on the same day?

A. On January 12.

Q. Now, on the 23rd day of August, 1915, the Governor's account seems to be erroneously charged with \$5,600. Can you find any place there where it was replaced?

A. I do not, no, sir.

Q. There was no amount of that, or any similar amount like that put into that account after that, was there?

A. No, sir.

Q. How do you account for the discrepancy in charging the Governor's account on December 12th with that erroneous draft and not crediting it back to the special account until so many days later?

A. Well, that could happen most any way, General. The item could have been carried in the cash draw, could have been misplaced or on a separate file some place and not turned back to the bookkeeper for that number of days.

Q. From the 12th to the 31st, that would be nineteen days, would it not?

A. No, sir, it was from the 31st of December to the 12th.

Q. The 12th of December? Well, that is nineteen days, isn't it?

A. Twelfth of January, no, that is twelve days, General.

Q. Oh, the item was taken out of the Governor's account on the 31st of December, is that right?

A. Taken out of the special account on December 31st.

Q. Oh, and not charged up until the 12th?

A. The 12th.

Q. For twelve days it was held in suspense there in some fashion?

A. That is right.

Q. Now, as to this note matter here, this was the old note, wasn't it?

A. Yes, sir.

Q. The note of January 3, 1914, which was shown here? It was finally settled by a new note given in exchange for it, wasn't it?

A. Yes, there was a new note given.

Q. Sir?

A. A new note given for the difference as a payment on that one, yes.

Q. This red ink entry on the face of the note shows the amount of the new note, doesn't it?

A. Not necessarily.

Q. Well, what does it show then?

A. I don't know what it shows. The party figuring up the interest, I suspect, on that item made—

Q. I don't want your suspicions, I want you to state if you know, Mr. Witness, what this red ink entry on the face of this note means?

A. I don't know, sir.

Q. You don't know in the making of that new note that some other item other than the unpaid balance of this may have entered into it, do you?

A. What's the question again?

Q. I say, you don't know the new note for \$11,200 and some dollars was made up solely of the principal and interest of this note, do you?

A. I think it was.

Q. I am not asking you what you think, do you know?

A. It was, yes, sir.

Q. Don't your books show precisely how it was done?

A. No, sir, I don't think they do.

Q. Do you mean to say you don't keep a record in your bank of the amount earned as interest on your notes, and how a new note is given for the old note?

A. Yes, but that is all put together, General. We don't keep each item separate.

Q. Who was your bookkeeper?

A. We got a couple of them.

Q. Who was the man who handled this transaction, do you know his figures?

A. That was Mr. Hughes. I think.

Q. Mr. Hughes, the cashier?

A. Yes.

Q. So, Mr. Hughes is the man who would know all about that, isn't he?

A. I don't know whether he would or not.

Q. Well, he ought to, if he did the work, oughtn't he?

A. Unless he had forgotten it.

Q. Do you mean to say you have an independent recollection of that note, how it was settled, and the writing of the new note, and exactly every item that went into it?

A. No, sir, I have not.

Q. You have not? Now, when you get down to Mr. Davis and Hughes you say they attended to the Governor's business. Do you not know that the Governor wrote personal letters himself to the bank on the most important matters, and kept well up with the whole situation?

A. Well, no, sir, those letters were all addressed to the former president of the bank.

Q. Now, are you sure of that?

A. Well, mostly all, I don't know, I have brought with me what were addressed to the bank there.

Q. Here is a letter of April 19, 1916, that is addressed to Mr. Hughes, whom you say was his principal man there.

A. All right.

Q. That is his handwriting isn't it? We will read it next as part of the re-examination of this witness:

(Thereupon General Crane read the letter referred to as follows):

"Governor's Office,
"Austin, Texas,
"April 19, 1916.

"Mr. C. A. Hughes,
"Temple, Texas.

"Dear Gus:

"Your favor of April 17 is received, and I am enclosing you herewith copy of a letter which I think you should write to the Houston National Exchange Bank.

"Yours truly,

d-enc "James E. Ferguson."

"Write on your stationery."

A Member: What's the date of that, General Crane?

General Crane: April 19, 1916. I

am taking them just as I find them here rather than in the order—

Senator Bee: What is the date, General?

General Crane: April 19, 1916.

Q. This letter of February 4, 1915, is written by the Governor, isn't it, to the Temple State Bank?

A. All right, yes, sir.

The letter referred to was read into the record as follows:

"Governor's Office,
"Austin, Texas,
"February 4, 1915.

"Temple State Bank,

"Temple, Texas.

"Gentlemen:

"I enclose you herewith exchange for \$10,000.00 to be placed to my account as Governor. Please send Mr. Davis the duplicate receipt.

"Yours truly,
"Jas. E. Ferguson,
"Governor."

Q. June the 5, 1915, that is the Governor's letter too, isn't it?

A. It is, yes, sir.

(The letter referred to was read into the record by General Crane, and is as follows):

"Governor's Office,
"Austin, Texas,
"June 5, 1915.

"Mr. C. A. Hughes,

"Temple, Texas.

"Dear Gus:

"I herewith return you the Davidson letter. Just write him yourself that at present you do not know of anybody with whom you can place the stock, but that you will do your best to place it for him.

"I forgot to tell you and Poe that in my opinion we ought to have Meer & Company sell all their cotton. Conditions generally all over this country do not look favorable and if the crash should come they might leave us with a big bag to hold.

"Yours truly,
"Jas. E. Ferguson.

d-enc "P. S. Also you inclose you \$60 ck for acct."

Q. August 27, 1915, that is his letter isn't it?

A. Yes, sir.

(The letter referred to was read into the record by General Crane, and is as follows):

"Governor's Office,
"Austin, Texas.
"August, 27, 1915.

"Temple State Bank,

"Temple, Texas.

"Gentlemen:

"I herewith enclose you lease signed by myself and wife, and bill of sale signed by myself to be delivered by you to F. M. Greeson and J. S. Greeson, upon their delivery to you of a deed, which I have sent them, conveying 210 1-2 acres of land out of the W. C. Sparks League, and their acceptance of the the terms of the lease in the space provided at the end of the lease. Also see that they have the necessary revenue stamps on the deed to me.

"Forward the deed to me without having it recorded, when it is delivered to you.

"Yours truly,
"d-enc-2 "Jas. E. Ferguson."

Q. July 30, 1915. This is another letter of his, isn't it?

A. Yes, sir, it is.

(The letter referred to was read into the record by General Crane, and is as follows):

"Governor's Office,
"Austin, Texas.
"July 30, 1915.

"Mr. C. A. Hughes,

"Temple, Texas.

"Dear Gus:

"Complying with your 'phone conversation, I herewith enclose you proposal to the city of Temple, as per our conversation.

"Yours truly,
"d-enc. "Jas. E. Ferguson.

"P. S. Do not tell Dr. Davist that you have this letter until you get ready to present it to the city council.

"Send note to Mr. Ghee to be signed by him as Prest. of the Bell-Bosque to cover his items of overdraft."

Q. "Don't tell Dr. Davist," is that right?

A. I don't know sir.

Q. "That you have this letter until you get ready to present it to the city council."

July 30, 1915, that is his letter, too, isn't it?

A. Yes, sir.

(The letter referred to was read into the record by General Crane, and is as follows):

"Governor's Office,
"Austin, Texas.
"July 30, 1915.

"To the City Council,
"Temple, Texas.

"Gentlemen:

"I am informed that you desire to sell the lot upon which is located your city stand pipe, immediately north of the post office in Temple.

"This is to offer and to bind myself to buy said lot, 50 ft. by 110 ft., for a consideration of \$4,500.00 to be paid on January 1, 1916, and upon condition that the city will immediately remove the stand pipe situated on said lot.

"I further agree that if on or before August 1, 1916, the city desires to repurchase said lot from me, I agree to sell same to the city for \$4,500.00, plus eight per cent interest per annum on the purchase price paid by me, to wit: \$4,500.00, from date of sale to me, and plus all amounts, which I may have paid or may have become bound to pay for taxes upon said lot; said sale to be made on condition that the city will not thereafter erect thereon any reservoir or stand pipe to be used in connection with its city water works.

"Respectfully,
"d "Jas. E. Ferguson."

(General Crane then read into the record the following letter):

"Governor's Office,
"Austin, Texas.
"November 1, 1915.

"Mr. C. A. Hughes,
"Cashier, Temple State Bank,
"Temple, Texas.

"Dear Sir: Replying to your letter of 23rd, I herewith enclose you note of Bell-Bosque Stock Farm for \$20,000 due January 1st. You can charge my account with the interest maturing on the two other notes.

"Yours truly,
d-enc "Jas. E. Ferguson."

(General Crane then read into the record the following letter:)

"Governor's Office,
"Austin, Texas.
"December 28, 1915.

"Mr. H. C. Poe, Temple, Texas.
"Dear Poe: I have a note for \$4500 and interest, given to G. W. Cole, Jr., due January 1st, and it is payable at the Temple State Bank. I wish you would write Mr. Cole that

the note will be paid promptly. He might put it in the hands of an attorney for collection if he saw a chance to do so. I hope to have a remittance to cover this note before maturity, but in case I do not, do not let the note go to protest on me.

"Yours truly,
"Jas. E. Ferguson."

General Crane: Now, on December 24 he writes the same party in 1915—another letter as follows:

"Governor's Office,
"Austin, Texas.
"December 24, 1915.

"Mr. H. C. Poe, Temple, Texas.

"Dear Poe: John Robinson was in to see me today and wants to borrow a \$1000. I wish you would let him have it as a loan to the bank, and if he does not pay it, I will hold the bank harmless. You understand why I would like to have him owe the bank and not me direct.

"I also enclose you three notices, being two from the John Hancock Life Insurance Company, aggregating \$2452.50 for interest on loans, which I owe them; also notice from the Texas Farm Mortgage Company for \$3674.50, which under my contract with Will Wallace I have to pay. These payments have to be made promptly on the first of the month and I wish you would pay them for me. Just as soon as I get a breathing spell I will come up and arrange it.

"I have been head over heels with work since my return and have not had much time to pay attention to my business affairs.

"Yours truly,
d-enc "Jas. E. Ferguson."

General Crane: Again on the 27th of February, 1915, which ought to have been read first—this is a letter from Mr. Davis, I will not read it now.

(General Crane read into the record the following letter:)

"Governor's Office,
"Austin, Texas.
"May 19, 1916.

"Temple State Bank, Temple, Texas.
"Gentlemen: Enclosed please find Bell County warrant for \$279.24, which place to my personal account.

"Yours truly,
d-enc. "Jas. E. Ferguson."

General Crane: A letter without date addressed to the Temple State Bank, Temple, Texas, but on the Governor's stationery.

"Temple State Bank, Temple, Texas.

"Please remit at once to American National Bank, at Austin, \$10,000 for my credit and charge to my account as Governor.

"Yours truly,

"Jas. E. Ferguson,

"Governor."

"P. S. Will need balance soon."

Q. That's his signature, isn't it?

A. Yes, sir.

(General Crane read into the record the following letter):

"Governor's Office,

"Austin, Texas,

"September 20, 1915.

"H. C. Poe, Temple, Texas.

"Dear Poe: Referring to your favor of September 13 in regard to the Buford-Maples matter, I herewith enclose you note. As I remember it, I sold him ten shares of stock for \$1,100 taking his note for the amount. I afterwards bought his stock and failed to return him the note, which I herewith enclose to you.

"My recollection is that he collected the dividends and your records will show that to be a fact, and he would owe me interest on my note up to the time that I bought his stock. Please take the matter up with him and ascertain if this is in accordance with his understanding.

"Yours truly,

"Jas. E. Ferguson."

d-enc.

(General Crane then read into the record the following letter):

"Governor's Office,

"Austin, Texas,

"November 15, 1916.

"Mr. H. C. Poe, Temple, Texas.

"Dear Poe: Enclosed please find credit slip for \$10,000 deposited in American National Bank. You can give me credit for same.

"Yours truly,"

"Jas. E. Ferguson."

d-enc.

General Crane: Another letter on the Governor's stationery, but without date. That is his signature, isn't it?

A. Signed by him, yes.

(The letter follows):

"Governor's Office,

"Austin, Texas.

"Dear Gus: Please find ck. for \$226.65 for my credit. No news & every thing lovely.

"Your friend,

"Jas. E. Ferguson."

Q. Another one written by him but without date, isn't it?

A. Yes, sir.

(The letter was read into the record by General Crane and is as follows):

"Governor's Office,

"Austin, Texas.

"C. A. Hughes, Temple, Texas.

"Dear Gus: Enclosed you 2 ck. for my personal credit amting to

" 333.33

" 428.32

"\$761.65 Total.

"Please send me a ck. book.

"Hope you are getting along nicely. Regards to all the boys.

"Why can't you come down & spend a day with us & bring your baby girl.

"Your friend,

"Jas. E. Ferguson."

Q. "February 3, 1916, your favor of the 2nd,—" that is his signature, isn't it?

A. Yes, sir.

(The letter read into the record and is as follows):

"Governor's Office,

"Austin, Texas,

"February 3, 1916.

"H. C. Poe, Temple, Texas.

"Dear Poe: Your favor of the 2nd in reference to Jake Reynolds application for a \$1,200 loan is received. You acted entirely right. He has been owing me this money for two or three years and has been collecting the dividends off of the stock and not paying me the interest on his note. I told him when I was in Temple that he must get busy and pay me. I never dreamed that he would undertake to unload the loan on the bank. Confidentially, I am trying to sell out the Square Drug Store so that the bank can get its money out of it.

"I forgot to tell you that the interest on the Bastrop Lignite Coal Com-

pany bonds held by the bank is to be charged to my account.

"With personal regards, I am
"Yours truly,
"Jas. E. Ferguson."

Q. Now, December 30, 1915, that is his letter also, isn't it?

A. Yes, sir.

(The letter referred to was read into the record and is as follows):

"Governor's Office,
"Austin, Texas,
"December 30, 1915.

"Temple State Bank, Temple, Texas.
"Gentlemen: Enclosed herewith please find check of W. R. Dulaney for \$5,000 which credit to my account, personal.

"Yours truly,
"Jas. E. Ferguson."

d-enc.

Q. July 23, 1915, that is the Governor's signature, isn't it?

A. Correct.

(The letter referred to was then read into the record and is as follows):

"Governor's Office,
"Austin, Texas,
"July 23, 1915.

"Mr. C. A. Hughes, Temple, Texas.

"Dear Gus: I herewith enclose you letter from Mr. Jarrell. I think he states the matter correctly, and I wish you would divide the \$648.49 equally; placing one-half to his account and the other half to my account. His letter and my letter will be your voucher.

"Yours truly,
"Jas. E. Ferguson."

d-enc.

Q. December 7, 1916, that is his letter, too, isn't it?

A. Yes, sir.

(The letter referred to was read into the record and is as follows):

"Governor's Office,
"Austin, Texas,
"December 7, 1916.

"Mr. C. A. Hughes, Cashier,
"Temple State Bank,
"Temple, Texas.

"Dear Gus:

"I enclose you herewith my two notes for \$25,000.00 each, one of which please place to my personal account,

and the other to the credit of the Bell-Bosque Stock Farm.

"Yours truly,
"Jas. E. Ferguson."

Q. December 9, 1916, that is his signature, too, isn't it?

A. Yes, sir.

(The letter referred to was read into the record, and is as follows):

"Governor's Office,
"Austin, Texas,
"December 9, 1916.

"Mr. C. A. Hughes, Cashier,
"Temple State Bank,
"Temple, Texas.

"Dear Gus:

"Complying with your favor of the 8th, I herewith enclose my note for \$10,570.00.

"Yours truly,
"Jas. E. Ferguson."

d-enc

General Crane: December 20th, 1915—

Q. That's his signature, isn't it?

A. Yes, sir, it is.

General Crane: "Mr. H. C. Poe, Temple, Texas. Dear Poe: I herewith enclose you note of P. L. Stone together with copy of my reply of this date to him. The loan will be perfectly good if his brother, E. A. Stone, of Holland, signs it with him. You can place the proceeds of the note to the credit of my wife. Find lots of work awaiting me and am very busy. Yours truly, Jas. E. Ferguson.—Registered mail."

General Crane: February 3rd—take that out, please. May 15th, 1916—

Q. That's his signature, isn't it?

A. Yes, sir, it is.

General Crane: "Temple State Bank, Temple, Texas. Gentlemen: Enclosed please find check of Howard Bland for \$965.16, which amount place to my personal credit. Yours truly, Jas. E. Ferguson."

General Crane: April 11th, 1916—

Q. That's his also, isn't it?

A. Yes, sir.

General Crane: "Temple State Bank, Temple, Texas. Gentlemen: Please transfer to American National Bank for my credit as Governor \$9,932.18 at your earliest convenience. Yours truly, Jas. E. Ferguson, Governor.—This is because of Canyon Normal School being completed."

Mr. Hanger: What is the date of that?

General Crane: April 11th, 1916—
August 2d, 1916—

Q. That's his also, isn't it?

A. Yes, sir.

General Crane: "Mr. C. A. Hughes, Cashier, Temple State Bank, Temple, Texas. Dear Hughes: Your favor of August 1st is received. I think you should write the Houston National Exchange Bank as follows: 'Replying to your favor of July 29th, all we can say is that we again refer you to our letter of April 19th, 1916, in reference to the same matter referred to in your letter to us of July 29th. Governor Ferguson advises us that there has been no change in the status of the matter between his and Mr. Mansfield's affairs.' Yours truly, Jas. E. Ferguson.—P. S. I assume that you have written a letter in accordance with my suggestion of April 19th. If you have not written, then write me what you did write so that I can advise you further. J. E. F."

General Crane: January 29th, 1916—

Q. That's also his letter, isn't it?

A. Yes, sir.

General Crane: "Mr. H. C. Poe, Temple, Texas. Dear Poe: I herewith enclose my proxy to vote at the stockholders' meeting. I also enclose you five shares represented by T. F. Hardy certificate, which I will thank you to issue to J. H. Davis, Jr. I also enclose you letter to be read at the stockholders' meeting. You will, of course, have somebody else to read it. Hoping everything will go off satisfactorily, I am, Yours truly, Jas. E. Ferguson."

General Crane: May 31st, 1916—

Q. That's his handwriting, isn't it?

A. Yes, sir.

General Crane: "Temple State Bank, Temple, Texas. Gentlemen: Enclosed find warrant for \$333.33 which place to my personal account. Yours truly, Jas. E. Ferguson."

General Crane: August 2nd, 1916—

Q. That is likewise his, isn't it?

A. Yes, sir.

General Crane: "Temple State Bank, Temple, Texas. Gentlemen: Enclosed herewith find check of Howard Hide & Leather Company for \$21.65, which place to my personal account. Yours truly, Jas. E. Ferguson."

General Crane: Letter of December 28th, 1915—

Q. That is also his signature, isn't it?

A. Yes, sir.

General Crane: "Temple State

Bank, Temple, Texas. Gentlemen: I herewith enclose you letter from Mr. J. B. Conlisk. I think you will find on your books a deposit of \$225.00 to which he refers. I think the amount is to be paid when the taxes are adjudged against the property. My recollection, however, is that these taxes accrued at a time when myself, Mr. Miller or the Temple Waterworks Company did not own the property and for that reason we would want judgment over against the parties who owned it at the time. Please have the matter looked into for me and protect the amount if you possibly can. Yours truly, Jas. E. Ferguson."

Mr. Hanger: Let's see that.

(General Crane hands letter to Mr. Hanger.)

Q. This letter of March 3rd, 1916, is also his, isn't it?

A. It is, yes, sir.

General Crane: "Mr. H. C. Poe, President, Temple State Bank, Temple, Texas. Dear Poe: I herewith enclose you copy of letter which I have received from Dr. Crosthwait. I also enclose you copy of letter sent him on February 8, 1915, and copy of letter written by Jim Davis to Mr. Hughes on March 31, 1915. I thought this matter had been closed long ago, and if the stock has not been re-issued to him, please do so out of 7 1-2 shares which Mr. Hughes holds of my stock. Yours truly, Jas. E. Ferguson."

Q. February 4th, 1915, is also his letter, isn't it?

A. Yes, sir.

General Crane: "Mr. C. A. Hughes, Temple, Texas. Dear Gus: Please forward to Jim a statement of all the notes and interest of Dr. W. L. Crosthwait to the bank. Yours truly, Jas. E. Ferguson.—P. S. Also send a few blank notes."

Q. April 5th, 1916, is another of his letters, isn't it?

A. Yes, sir.

General Crane: "Mr. J. E. Love, Temple, Texas. Dear Ed: Your favor of the 4th is received. Tell Poe to renew the note one more time, making it due sometime in the fall, and at that time I suppose we will have to do something with it. Yours truly, Jas. E. Ferguson."

(While the foregoing letter was being read by General Crane, the witness left the witness stand for a short time).

General Crane: (To Mr. Hanger): You know these signatures?

Mr. Hanger: Let's wait for the witness.

General Crane: I will wait until he comes in.

(Thereupon the witness returned to the witness stand).

Q. The one of March 11th, 1915, is also his, isn't it?

A. That is correct.

The Chair: Mr. Sergeant-at-Arms, preserve order.

General Crane: Beg pardon.

The Chair: I was just telling the Sergeant-at-Arms to preserve order.

General Crane: "Mr. C. A. Hughes, Temple, Texas. Dear Gus: Absence from home has prevented a prompt reply to your favor of March 7th. I saw your statement in the paper and want to congratulate you and Poe for the showing which you made. As you have already had the call, I don't suppose you need any more addition to your balance just now. I hope to be up to see you all sometime after the 20th. With best regards to all the boys, I am, Yours truly, Jas. E. Ferguson."

General Crane: Now, here I have two copies of letters, one is February 8th, 1915, and the other seems to be February 8th, 1916.

Mr. Hanger: They are exactly the same.

General Crane: All except the date.

Mr. Hanger: Just use whichever one you want. He might know what the date is.

Q. See if you know how that happened?

A. This is on February 8th, 1915; this is marked "Copy."

General Crane: This is February 8th, 1916, and it is precisely like the other.

Mr. Hanger: I'll tell you where you can get it. Look at that Cross-thwaite letter in here.

General Crane: Well, I'll wait until later.

Mr. Hanger: I can find it in here—it refers to W. L. Cross-thwaite.

General Crane: All right.

Mr. Hanger: So read it '15.

Q. Now, this letter to H. C. Poe of date of December 29th, 1915, is also his, isn't it?

A. Yes, sir.

General Crane: "December 29, 1915. Mr. H. C. Poe, Temple, Texas. Dear Poe: Pursuant to our 'phone conversation, I herewith enclose you: First. Lease from W.

R. Wallace to me, which I will thank you to file for record with the county clerk, charging the record fees to my account; Second. I also enclose you note of W. R. Wallace for \$19,500 and deed of trust securing same, to be used in payment of the following notes to your bank, which are signed by W. R. Wallace"—then follows list of notes aggregating \$18,557.50.—"In addition to this, Mr. Wallace owes \$760.00 to the John Hancock Mutual Life Insurance Company, being annual interest on a \$9,500.00 loan at eight per cent, which you will remit at once, as it is due on January 1st. The balance, if any, goes to my credit. Please send me all of the Wallace notes, as I promised to forward them direct to Mr. Wallace. The security to the \$19,500.00 note is 785 acres of land, worth at least calculation \$75,000. I am sure you can sell this note to the John Hancock Life Insurance Company, but pending negotiations with them, I would at once send the deed of trust for record. The abstract covering this loan is now with the Texas Farm Mortgage Company, and as soon as the \$3,400.00 is paid off, which I wrote you about some days ago, they will prepare you a release and forward same to you together with the abstract. Yours truly, Jas. E. Ferguson. P. S."—

Q. That's in his handwriting, isn't it?

A. It looks like it.

General Crane: "If there is interest due on notes retain notes and pay as far as note will go."

Q. Now, I show you a letter of June 19, 1916. That's his letter, too, isn't it?

A. It looks like it.

General Crane: "Temple State Bank, Temple, Texas. Gentlemen: Enclosed please find check of J. E. Evans for \$190.90, which I shall thank you to put to my personal credit. Yours very truly, Jas. E. Ferguson."

Q. Another one, June 30, 1916, is also over his signature, isn't it?

A. Yes, sir.

General Crane: "Temple State Bank, Temple, Texas. Gentlemen: Enclosed find salary warrant for \$333.33, which place to my personal credit. Yours truly, Jas. E. Ferguson."

Q. Another one, December 29,

1916, is also his signature, isn't it?

A. Yes, sir.

General Crane: "Mr. H. C. Poe. Temple, Texas. Dear Poe: I herewith enclose you a note for \$5000 payable to Caroline Payne, which is to be delivered in lieu of another note for like sum, payable to her and signed by myself and Mr. Abner Kuykendall. Charge my account with the interest on the old note. Please call Abner Kuykendall's attention to the matter. Yours truly, Jas. E. Ferguson. P. S. I herewith enclose letter from the Belton National Bank in regard to the Geo. W. Cole, Jr. note, about which I wrote you some days ago. J. E. F."

Q. January 6, 1916, is also his, isn't it?

A. Yes, sir.

General Crane: "Temple State Bank, Temple, Texas. Gentlemen: Enclosed please find check for \$5043.94, issued by Bastrop Lignite Coal Company, which you can place to my personal credit. I also enclose you two bonds, Numbers 14 and 15, and 42 interest coupons for cancellation by you as Trustee under the Deed of Trust given to secure said bonds. Yours truly, Jas. E. Ferguson. Registered mail."

Q. January 6, 1916, is also his, isn't it?

A. Yes, sir.

General Crane: "Mr. H. C. Poe, Temple, Texas. Dear Poe: I herewith enclose my proxy for the Heidenheimer Bank meeting. Please attend and represent me. Yours truly, Jas. E. Ferguson."

Q. That letter is written altogether by himself, isn't it?

A. It looks like it, yes, sir.

Q. Not dated, but on the Governor's letterhead?

A. Yes, sir.

General Crane: "Dear Poe: I send you note of Jno. D. Robinson for \$1000 for which I will thank you to give him credit. Also take his note for the other thousand which you let him have some weeks ago. Your friend, Jas. E. Ferguson."

Q. January 11, 1916, is also his, isn't it?

A. Yes, sir.

General Crane: "Mr. C. A. Hughes, Cashier Temple State Bank, Temple, Texas. Dear Hughes: I enclose you herewith note to Tom Payne, as suggested in your letter of the 10th

I trust the matter will be closed up satisfactorily. Yours truly, Jas. E. Ferguson."

Q. February 11, 1916, is also his, isn't it?

A. Yes, sir.

General Crane: "Temple State Bank, Temple, Texas. Gentlemen: Enclosed please find draft for \$2321.37, which please place to the credit of the Bell-Bosque Stock Farm. We want to keep the 1916 business to itself separate. If there are any checks issued before the first of January by the Bell-Bosque Stock Farm, please charge them to my personal account. All checks issued since the first of January can be charged against the 1916 account. I will thank you to give this matter your prompt attention, as we want to keep this account with a balance in the future. Yours truly, Jas. E. Ferguson."

Q. Here is another one written altogether in his own hand-writing?

A. It looks like it, yes, sir.

General Crane: "It is undated. 'Dear Gus: Please send me statement of my account and Bell-Bosque account and send me all the checks against my account including all checks signed by Joe Miller. I told Joe to send me his, but you can send them altogether and I can sort them out here. Suppose you are getting along nicely. Write me all the news. Best regard to your father and mother and Miss Rue. Your friend, Jas. E. Ferguson.'"

Q. March 30, 1916, is his signature, isn't it?

A. Yes, sir.

General Crane: "Temple State Bank, Temple, Texas. Gentlemen: Please mail me a statement of my account as Governor. Yours truly, Jas. E. Ferguson, Governor."

Q. Did you mail that statement?

A. I don't know. That would be referred to the bookkeeper.

Q. Would be referred to the bookkeeper?

A. Yes, sir.

Mr. Harris: What is the date of that, General?

General Crane: March 20, 1916.

Q. April 20, 1916, is also his, isn't it?

A. Yes, sir.

General Crane: "Mr. C. A. Hughes, Cashier, Temple State Bank, Temple, Texas. Dear Gus: Replying

to your favor of the 28th of February, 1916, I enclose herewith First Mortgage Bond for \$14,000, executed by Mrs. Ferguson, and also deed of trust covering same in which I have joined. You may forward the cancelled note to me. Yours truly, Jas. E. Ferguson. Registered mail. Postscript. Attach revenue stamps and charge account."

Q. February 2, 1917, that's his, too, isn't it?

A. Yes, sir.

General Crane: "Temple State Bank, Temple, Texas. Gentlemen: I have arranged with the Great Southern Life Insurance Company, of Houston, to take up the note of \$14,000 and interest due by my wife to the bank, in accordance with our agreement. Please prepare a transfer of your note to the Great Southern Life Insurance Company, without recourse on you, and attach same to a draft on the company at Houston, for the amount of your note and interest, and I will arrange with them to pay the amount off promptly. Yours truly, Jas. E. Ferguson."

Q. Now, you produced all these letters that I have read as coming from the Governor about his private and personal affairs, haven't you?

A. All that I could find.

Q. At our request. You have produced these as the only letters written by Mr. J. H. Davis, Junior, about his personal affairs?

A. All that I could find, yes, sir.

Q. Only fourteen of them covering the entire years?

Mr. Hanger: Two years. May I see those?

General Crane: Let me glance through them first to see whether I want to read them. Mr. President, just indulge me a moment, please. There you are. (Handing letters to Mr. Hanger.)

Mr. Hanger: Thank you.

Q. Well, now, Mr. Blum, the July 14th remittances, made about that time, you first—you read—we both read into the record the stated account of the 29th of June or 20th of June, whatever it was?

A. Yes, sir.

Q. Mr. Hanger first asked for ten days thereafter and then lengthened it out to fifteen. That was after the remittances made by the bank on the 14th of July, wasn't it?

A. You mean the fifteen days?

Q. Yes.

A. Yes, sir.

Q. It was after those large remittances had been made and there was still fifteen thousand dollars remaining?

A. Yes, sir.

Q. Can you tell how long that fifteen thousand dollars had been there?

(Witness refers to papers.)

A. It has been there now since—

Q. (Interrupting.) I don't mean now, but when it was deposited. What date was it put in the bank?

A. I don't get your question, General.

Q. What are the dates of the last deposits made immediately preceding the large remittance? About the first of June there was \$250,000 deposited?

A. All right.

Q. What are the previous ones?

A. There was one on July 13th of \$10,000.

Q. Well, what are the deposits previous to the one of \$250,000?

A. Well, on May, 25th, \$5,000; May 19th, \$3,690; May 4th, \$4,098.50; May 3rd, \$1,774; May 2nd, \$5,422; May 1st, \$10,414, and \$6,850.

Q. When was the previous remittance?

A. April 15th.

Q. What was the daily balance when the remittance was made?

A. On April 16th it left \$5,000 balance.

Q. Five thousand balance on April 15th.

A. That's correct.

Q. Now, was there any significance in the dates—was there any discussion of the reason for sending all that money down to the Treasurer on the 14th day of July—any definite reason given for it?

A. No, I didn't hear of any.

Q. It hadn't been in your bank but about since the first of June, had it?

A. That's correct—May 29th.

Q. Hadn't been there but about six weeks?

Mr. Hanger: What is that that had not been there?

General Crane: The two hundred and fifty thousand.

Q. Were there any deposits between the first of June and the thirteenth of July?

A. There was not, no, sir.

Q. None. Did they discuss the

fact of the meeting of the Travis County Grand Jury as a reason for bringing it back?

A. No, sir, I didn't know of it.

Q. You didn't know of it?

A. Didn't hear of it.

Q. The truth of it. Mr. Blum, I take it, the cashier and the president did not always consult you about matters of that sort?

A. That is correct.

General Crane: Now, I have some questions presented by some Senators.

Q. "Does the note statement that you have shown include any of the notes of the Governor?"—

Senator Bee: (Interrupting.) Mr. President, in order that I may know that the record has been kept, have those questions been submitted to you? Wasn't it the rule that they must be submitted? I have no objection, General Crane.

The Chair: My recollection is that the rule provides that they must be submitted to counsel or the President.

Senator Bee: All right. I have no objection, General.

Q. "Does the note statement which you have made here include any notes of the Governor which were rediscounted to other banks, or did that statement—this one here—or did that statement simply include the notes which the Temple State Bank held in its own vaults?"

A. This statement includes all the notes that the Governor has had with us, regardless of whether we ever rediscounted them or not.

Q. What did you take that statement from?

A. From the note registers.

Q. Have you got all the note registers with you covering that period?

A. I have, yes, sir.

Q. Then you answer that it shows the notes you rediscounted?

A. Yes, sir, it would show everything.

Q. Does it show—it doesn't show any accommodation note signed by some other person, does it, for the Governor?

A. It does not, no, sir.

Q. It doesn't show the note signed by J. E. Love for the Square Drug Store, does it?

A. No, sir.

Q. All of those are apart—if there were such notes, they are apart

from that statement that you have made?

A. Correct.

Q. That statement—when does it begin and when does it end?

A. I started just as you directed, the first of January, 1915, and brought it on down to date.

Q. To date. Well, now, that doesn't include the thirty-seven thousand five hundred dollar note of A. F. Ferguson, does it?

A. No, sir.

Q. It doesn't include the thirty-seven thousand five hundred dollar note of J. H. Davis, Jr., does it?

A. It does not, no, sir.

Q. And it does not include the thirty-seven thousand five hundred dollar notes of the Bell-Bosque Ranch?

A. It does, yes, sir.

Q. It does?

A. Yes, sir.

Q. But it leaves out the other?

A. The other two, yes, sir.

Q. The other two. Does it show specifically the note that had been discounted to the Kansas City bank? If so, point it out?

A. I am not familiar with that transaction, General.

Q. Well, then, you can't answer of your own knowledge whether that note was discounted to the Kansas City bank or not, can you?

A. No, sir.

Q. Does it show the note that was discounted to the City National Bank of Eastland?

A. General, this would show all notes that the Governor has had with our bank since January 1st, 1915, regardless of whether they were rediscounted or not.

Q. They ought to be in that list?

A. Yes, sir, they are.

Q. If not, it would be some omission?

A. Yes, sir.

Q. Was a note for one thousand dollars of J. E. Ferguson's sold or discounted to the National Reserve Bank of Kansas City in 1915, or 1916—that is included, but have you got a thousand dollar note in there—ten thousand dollar note?

A. If the Governor had the note with our bank, then it is in here.

Q. Well, you have answered several of these. There were two notes of ten thousand dollars there, and following them was a note of twenty thousand dollars; the twenty thousand

dollars is not on the date that the other was paid or renewed or due. How do you account for that—the two ten thousand dollar notes, what became of them?

A. I suspect you will have to specify which ones you mean, General. There are several of that amount here.

Q. On Governor Ferguson's personal account.

A. All right.

Q. It seems to have been renewed on the 4th-8th-16th. That is probably the 8th of April?

A. No, that could not be his personal.

Q. Then is it the Bell-Bosque Ranch or Farm—do you have the Bell-Bosque in there, too?

A. Yes, sir.

Q. Well, now, isn't it the rule in renewing notes that, although they may run over for fifteen or twenty days or thirty days, not be promptly renewed, that the renewal note dates back to the date the original one was due?

A. No, sir, that is up to the man that takes the renewal, General; he might date it either time.

Q. Well, what is the usual custom?

A. Well, very seldom when a note runs a little bit past due we do that; we usually put the present date stamp on the note.

Q. But if it runs considerably over you do, don't you?

A. Well, as I said before, it would just depend.

Q. Well, now, isn't this the way your bank does business: You take a note, for instance, for a thousand dollars, due ninety days after date, you count the interest in and discount it and give him credit for the balance of the note, less the discount?

A. Ordinarily, yes, sir.

Q. The interest on that then is paid up to maturity, isn't it?

A. It is, yes, sir.

Q. Then, if you permit a renewal don't you date the renewal back to the time when that was due?

A. Well, sometimes we do and sometimes we don't; that is optional.

Q. Now, you don't lose thirty or sixty days interest on notes for a considerable amount of money, do you?

A. Well, sometimes we do; lots of customers we let run over sixty or ninety days.

Q. And not charge them any interest for the sixty or ninety days?

A. Yes, sir—yes, sir, exactly.

Q. But banks do not do that, ordinarily?

A. I don't know; but I collect lots of notes every day, and lots of past due ones in there, and that is very seldom done.

Q. Some of these gentlemen behind me want to get in touch with that bank?

A. We would be glad to meet them.

Q. Yes. Can you show from your note register what the Governor owed when he became Governor?

A. You can tell from this list right here.

Q. Well, what did he owe?

A. (Referring to list.) It appears that personally the Governor owed \$30,000.00.

Q. How much?

A. \$30,000.00, I believe is all that I can find.

Q. Take the date he was inaugurated, January 10, 1915—

Mr. Harris: January 16th.

Q. January 16th, he was inaugurated?

A. Yes, sir.

Mr. Hanger: On the 19th.

Q. What did he owe on the 19th?

A. All right. Well, on the 19th there was one \$30,000.00 note in force.

Q. When was that executed?

A. January 16, 1915. That was all.

Q. I omitted one, because we had asked it several times in several different forms that the Senator (referring to a member of the Court) overlooked. The question is, however, I will ask it out of deference to the Senator—you cannot tell when money is put in the bank by one depositor what becomes of it, can you—it is mixed with a common fund?

A. Oh, yes, money is always money.

Q. And if it is put in the vault, you couldn't tell it, you lose sight of it there?

A. Yes, sir.

Q. You could not keep separate the cash deposited by Booker Washington, if he were living, and President Wilson?

A. No, sir.

Q. It all goes into the cash account?

A. Yes, sir.

Q. Now, Mr. Blum, we want to get the bookkeeper, now, who handled these transactions, that is just to clear up the little doubts that may

be about any part of it—of the \$150,000 notes, the four notes of \$37,500 each, and this note here that you and Senator Hanger have about concluded has been miscalculated in some way?

A. Well, Mr. Hughes is the gentleman that is—

Q. (Interrupting.) But who is the bookkeeper that made this calculation—you said it was the bookkeeper, didn't you?

A. No, I don't think I said that. I believe all these calculations were all made by Hughes, if I remember correctly.

Q. Well, who was your bookkeeper at that time? He ought to know what entries were made in your books?

A. Well, Mr. Swink was the bookkeeper then.

Q. Is he there now?

A. No, he is not with us any longer.

Q. Well, can't you bring the pages of the records that closed up that transaction, to know what entries were made on the books about it?

A. Why, General, I 'phoned up there at noon, after discussing that with you, and the only complete record we have got of that are these two books right here, and a copy of which I have got right here in my hand—that is the only thing we have got.

Q. This does not show how much interest was due on that \$80,000, the personal notes of the Governor, does it?

A. No, sir, it does not. Our interest account, just as you stated about Booker T. Washington and President Wilson, interest money, is all put together in a common fund.

Q. Well, does not your note register show the due dates of this \$80,000?

A. Our note register shows the due dates of this \$80,000, yes, sir.

Q. All right. Now, won't your note register show, and can't you dig it out of there, how much interest was due on the \$80,000 notes the Governor owed?

A. Yes, sir, we can dig it right out of here.

Q. Well, all right. This \$80,000 that was settled in January, or February, whenever it was completed, 1917, when were those notes due for

which the large ones were given in settlement?

A. Well, in—let me see—

Q. Well, now, we want the record itself. Can't you turn us to the pages of the records describing those notes?

A. Yes, sir, a copy of them.

Q. Yes, sir, turn us to the pages of the records showing the existence of those \$80,000 notes

A. General, that is a big job?

Q. Well, can't you show this?

A. No, sir.

Q. Well, we want the bank records, and we will give you until tomorrow morning to figure that out and have them up; you can stand aside and we will call another witness until you can get that, tomorrow morning. Just one minute—just one question that has been suggested: doesn't your bank keep a cash book that indicates the amount of cash received every day and from whom received?

A. No, that goes to the general—that goes onto the ledger, every man's deposit is put to his account.

Q. I am not asking about deposits, now, I am talking about the cash book?

A. No, sir.

Q. You do not keep a cash book showing the amount of interest collected each day?

A. We have got a regular interest account.

Q. That does not show when the interest is paid each day?

A. It shows the way interest is put in, certainly.

Q. Well, can't you turn to your interest account and show how much was due on these \$80,000 notes on that day?

A. No, sir, I can't do it myself.

Q. Well, then, turn to Governor Ferguson's account and show where is the \$65,000 deposit that was made in February, or somewhere along there?

Mr. Hanger: Sixty.

Q. Sixty? No, that \$60,000 was in the Governor's account, wasn't it?

A. No, that—that was to the Secretary of State's account.

Q. The Secretary of State's account? But I want the \$65,000 that was recently deposited in his—in April, or about that time, or about that time in his personal account?

A. Don't you mean \$35,000?

Q. Was it \$35,000? I thought it was \$65,000. You brought the deposit slip down and exhibited it to the House?

A. Yes, I gave it, I believe, to the Chairman of the House and asked him to mail it to me, but I never did see anything more of it.

Q. Well, what is that item anyway, that is what I want to get?

A. It is a deposit, that is all I know about it.

Q. Well, but what date—what date? We want to get it into the record here?

A. April 26th.

Q. April 26th? How much?

A. \$35,000.

Q. Well, now, that deposit slip showed "cash," didn't it?

A. No, sir.

Q. Wasn't the \$35,000 a cash item?

A. I don't think so. It showed \$35,000, was all that was on it.

Q. Wasn't it currency?

A. No, sir, I don't remember anything like that written on it—I am sure it was not.

Q. Well, we will perhaps find the deposit slip here, the stenographers will return it to us?

A. The court has, has the slip, or the stenographers have the deposit slip.

Q. Does not the bank deposit slip show whether the deposit is made in currency or in checks?

A. It does not, no, sir.

Q. You have no deposit slips in that form?

A. The form is on there, but—

Q. Who accepted the deposit?

A. I don't remember—I believe it was the president, though, of the bank.

Q. Yes? Does he usually accept deposits, or does the teller do that?

A. Well, lots of times he acts as teller, nearly always does during the noon hour.

Q. Well, that is all.

Re-cross Examination
By Mr. Hanger.

Q. Mr. Blum, this new note that was given in place of the \$8500 note, that wasn't for eleven thousand two hundred and some-odd dollars, was it, that was for \$8600.00, wasn't it?

A. It seems to me, as well as I remember, that there was a note between those two notes—at least, I don't know, it is not clear, I—

Q. (Interrupting.) Wasn't the other note for \$8600, and wasn't that a note for about \$8200 with the interest added for one year, or until maturity, whenever that was?

A. Yes, I remember a note like that all right.

Q. Yes, that is all.

General Crane: That will do—that will do until tomorrow morning. Get that data for us by tomorrow morning.

Mr. Hanger: General, just a minute. Do you want him to leave these sheets here or he will produce them for you?

General Crane: Well, he had better take them and take care of them.

Mr. Hanger: That is what I was going to say, so as not to lose them.

General Crane: Yes. (To witness): Or wait just a minute.

Q. (By General Crane, resuming): We want the books showing the credit that was given to Governor Ferguson for that \$150,000. Haven't you some book showing that?

A. There is no such book, no sir.

Q. Sir?

A. There is no such book that I know of.

Q. You mean to say that he would take up the notes in the bank and execute his note therefor for \$150,000 and he would get no credit for it, and you cannot pick out the items that they were substituted for?

A. He got those old notes, didn't he? Didn't need a credit.

Q. Well, what old notes? Haven't you a record showing what those old notes were?

A. Why, sure, I have been reading them to you.

Q. Well, but you have left out some of them it seems.

A. This is everything that he has had.

Q. Well, that is all.

(Witness excused.)

The Chair: Call the next witness.

Mr. Harris: Call Henry S. Fox.

Thereupon the proponents called

HENRY S. FOX, JR.,

who was first duly sworn by the Chair, and who in answer to questions propounded, testified as follows. to wit:

Direct Examination
By Mr. Harris.

Q. State your name?

A. Henry S. Fox, Jr.
 Q. Where do you live, Mr. Fox?
 A. Houston, Texas.
 Q. What is your business?
 A. Banking.
 Q. What bank are you associated with?
 A. Houston National Exchange Bank.
 Q. Has your bank received deposits from the Penitentiary Commission of Texas?
 A. Yes, sir.
 Q. Will you please?
 The Chair: Just a moment. We would like to have order now, and everybody in the chamber keep order, please.
 Q. Will you read into the record the dates and the amounts of the deposits made by the Penitentiary Commission in your bank?
 A. (Reading from record.) May 5, 1916, \$60,000; November 6, 1916, \$35,000; March 22, 1917, \$18,916.39; March 23, 1917, \$5,625.19; May 5, 1917, \$25,000.
 Q. Have you the total of those items?
 A. I will total them (figuring).
 Q. Just approximately, you needn't state the odd cents?
 A. \$144,500, approximately.
 Q. Will you please read the daily balances—not every day, but the date of the deposits on each day?
 A. May 5, 1916, \$60,000, and was continuously that amount until July 11th. Do you want each—
 Q. From May to July?
 A. From May to July? July 11, \$40,000, and continuously \$40,000 until November 6, \$75,000; continuously \$75,000 until January 11, 1917, \$58,670.19; 12th, \$54,016.49; 13th, \$53,300.01; 14th, same amount; 15th, \$48,797.01; 16th, \$46,555.06; 17th, \$44,991.91; 18th, \$34,358.47; 19th, \$32,095.31; 20th, \$32,093.11; same on the 21st and 22d; 23d, \$30,562.87; 24th, \$30,537.37; 25th, \$30,302.37; 26th, \$28,787.86; 27th, \$28,084.80; 28th, the same; 29th, \$27,525.86; 30th, \$27,314.67; 31st, \$27,310.67; February 1st, \$26,558.82; second—
 Q. You need not read each day, if you will read the first down to the 20th and 30th of each month, the daily balances, give the daily balances there on February 10, 20th and 30th?
 A. On the 10th, \$21,230; February 28th, \$11,577.79; March 8th-March 10, \$10,448.50; 20th, \$9,393.35; 30th, \$33,934.93; the same amount all during

April, no change; May 10th, \$19,445.49; May 20th, \$10,308.06; 30th, \$35,243.30; June 15th, \$25,370.54; June 30th, \$13,385.00, which is the balance of this account at the close of business last Saturday night.

Q. How much was that, now?

A. \$13,385.

Q. The first deposit was May, 1916, I believe.

A. Yes, sir.

Q. Was Governor Ferguson indebted to the bank at that time? That was the first deposit, wasn't it?

A. Yes, sir. (Witness examines papers). Yes, sir, he was.

Q. How much?

A. \$7,500.

Q. When was that paid?

A. It was renewed.

Q. When was it finally paid?

A. It is not paid now.

Q. Not paid yet. Now, after May 16th, did he incur any additional indebtedness?

A. Yes, sir.

Q. What amount?

A. On June 26th, \$11,000.

Q. June 26th, 1916?

A. Yes, sir. Secured by one hundred and five shares of the capital stock of the Temple State Bank.

Q. Just go ahead and give the different items of indebtedness?

A. On July 15th he renewed the item of \$7,500 first referred to. August 24th, \$4,000, secured by chattel mortgage on cattle. September 18th, \$500, chattel mortgage on cattle. November 7th, he got additional money and included the \$7,500 item, the \$4,000 item, the \$500 item, and borrowed enough to make a note of \$40,586 on October 7th. On January 2d, 1917, he renewed the \$11,000 note secured by one hundred and five shares of the Temple State Bank stock. On May 23, 1917, he borrowed \$29,000, secured by three hundred and seventy-three shares of the capital stock of the Bastrop Lignite Coal Company. That constitutes his indebtedness to us at this time.

Q. At this time—of how much, what is the total?

A. \$71,226.65.

Q. Was he indebted to you personally in any sum? Didn't he owe you \$15,000 personally?

A. I secured \$15,000 for him personally, yes, sir.

Q. You secured \$15,000 personally for him. From what source did you secure that?

A. I endorsed his note—that note was at the First National Bank; I endorsed a note at the First National Bank, and that note was secured by fifteen bonds of the Coal Company.

Q. How was that paid?

A. By a check drawn by a Galveston bank on a New York bank, made payable to Louis Adoue, and endorsed by Louis Adoue. The check was for \$15,130; I took the \$15,000 and paid the First National Bank, and credited the Governor's account \$130.

Q. I see. On March 7, 1917, did the Governor call you up and ask you to take over some notes?

A. Yes, sir.

Q. What did he say, as near as you can recall?

A. As near as I can recollect, he said that he wanted me to take up two notes he had—two notes at the Temple State Bank of J. H. Davis, one of J. H. Davis of \$37,500 and one of Alvah H. Ferguson for \$37,500; that Mr. Heard at Temple would get in touch with us and make the detailed arrangements for the transfer of the paper.

Q. And didn't he say that he would explain the details to you?

A. Well, that's the same thing.

Q. About the same thing?

A. Yes, sir.

Q. Did you call Mr. Heard, or did Mr. Heard call you?

A. I called Mr. Heard up right away.

Q. What length of time did he arrange for you to take over those notes?

A. Fifteen or twenty days.

Q. For fifteen or twenty days?

A. Yes, sir.

Q. Now, March 7, 1917, was the day the investigation before the House Committee began, wasn't it?

A. I have since looked it up, since your last question, and I found it was, but I wasn't sure before.

Q. And he asked you for fifteen or twenty days. Now did the Temple State Bank endorse those notes?

A. Yes, sir, they endorsed them.

Q. What other guarantee did they agree to give you, in the way of a deposit, to be specific?

A. They told me they would keep an adequate and compensating balance.

Q. Didn't you have a specific agreement that you would have a balance equal to \$75,000?

A. No, sir, we did not; that is not so.

Q. How much balance did they keep there? What did you understand by an adequate and compensating balance?

A. The account had not been profitable—it had been a losing account to us.

Q. That is the Temple State Bank account.

A Voice: A little louder.

The Chair: A little louder, please.

Senator Hanger: Some of the members ask that you speak out louder, Mr. Fox.

A. The account had not been profitable and it cost us some money in handling their miscellaneous items. However, they had paid the loss on each month's analysis basis at that time. I said to Mr. Heard that we wanted an adequate and compensating balance against this line, which was pretty liberal. Now, what month?

Q. March 7th and April 7th, when they were sent back to your bank, what balance did they keep there with you—you got them on the eighth, I believe.

A. Got them right away. The average balance for March was \$67,000.

Q. \$67,000

A. Odd dollars.

Q. Odd dollars. Have you the correspondence passing between your bank and the Temple bank, or the officers of the Temple bank with reference to this transaction.

A. Yes, sir; this is a letter of March 7th, enclosing the notes referred to in the telephone conversation.

Mr. Harris: We offer the letter of March 7th, written to Mr. H. S. Fox, Jr., by Mr. T. H. Heard. Do you care to see it. (To Senator Hanger.)

Senator Hanger: Yes. (Mr. Harris passes letter over to Senator Hanger.) No objection.

(Thereupon the letter referred to was read by Mr. Harris, as follows:)

"March 7, 1917.

"H. S. Fox, Jr., care Houston National Exchange Bank, Houston, Texas.

"Dear Sir: This will confirm conversation over phone today in which you purchase the following two notes: J. H. Davis, Jr., secured by 373 shares Capital Stock of the Bastrop Lignite Coal Co., \$37,500; Al-

vah F. Ferguson, secured by 400 shares of the Capital Stock of the Bell-Bosque Farm, \$37,500.

"This will further confirm that portion of the conversation in which we agree to repurchase these notes within fifteen or twenty days should you so desire it."

"Please note that we have endorsed the notes as requested."

"In this connection we desire to thank you for the courtesy extended."

"Yours truly,
"T. H. Heard,
"President."

Q. Have you a copy of your reply?

A. A copy of our reply was merely a credit card.

Q. Was that all?

A. Yes, sir.

Q. What is the next letter you received from Mr. Heard?

A. On March 22nd.

Mr. Harris: We offer that letter. (Mr. Harris hands letter to Senator Hanger).

Q. Did you say that Mr. Heard only asked you to handle those notes for fifteen or twenty days?

A. Yes, sir.

Q. That was his suggestion, not yours?

A. Yes, sir.

(Thereupon the letter referred to was read by Mr. Harris, as follows):

"March 22, 1917.

"Mr. Hy. S. Fox, Jr., Pres.,

"Houston Nat. Exch. Bank,
"Houston, Texas,

"Dear Mr. Fox:

"Having just had a conversation with Governor Ferguson, relative to the Alvah F. Ferguson and J. H. Davis, Jr., notes, would appreciate you carrying this paper for another ten days on the same basis as our former arrangements with you.

"However, if the above is not entirely satisfactory to you, will ask that you charge to our account and return to us.

"Thanking you very much for your many past favors, I beg to remain,

"Yours very truly,
"T. H. Heard,
"President."

Mr. Harris: Then I will introduce the reply.

Q. I assume this is a reply to that letter, isn't it?

A. Yes, sir.

Mr. Harris: Do you care to see that, Senator?

Senator Hanger: Oh, no.

(Thereupon the letter referred to was read by Mr. Harris, as follows):

"March 24, 1917.

"Temple State Bank,

"Temple, Texas.

"Gentlemen:

"As per your request, we have this day extended the two notes of A. F. Ferguson and J. H. Davis, Jr., aggregating \$75,000 for ten days, and have charged your account with \$104.14, covering interest at the rate of five per cent.

"With best wishes and assuring you it is a pleasure for us to be of service to you in this connection, we remain,

"Yours very truly,
"Assistant Cashier."

Q. What is the next letter?

A. April 7th—April 2nd.

Q. April 2nd?

A. Yes, sir.

Mr. Harris: We introduce that, Senator. (Mr. Harris thereupon handed letter to Senator Hanger, who made no objection to same.)

(Thereupon the letter referred to was read by Mr. Harris, as follows):

"April 2nd, 1917.

"Mr. Henry S. Fox, Jr., Pres. Houston National Exchange Bank, Houston, Texas.

"Dear Mr. Fox: As per our agreement relative to the Alvah F. Ferguson note of \$37,500, also the J. H. Davis, Jr., note of the same amount, the ten days will have lapsed tomorrow. Please charge these notes to our account and return them to us.

"I assure you that I heartily appreciate and thank you for the accommodation you have rendered us.

"Yours very truly,
"T. H. HEARD,
"President."

Q. What is the next letter from him? That is your letter enclosing these notes notifying them that they had been charged?

A. Yes, sir.

Mr. Harris: I don't care to introduce that, unless you want it.

Senator Hanger: No.

A. The next letter is April 7th.

(Thereupon Mr. Harris read the letter of April 7th, just referred to, which is as follows):

"April 7, 1917.

"Mr. Henry S. Fox, Jr., Pres. Houston National Exchange Bank, Houston, Texas.

"Gentlemen: Through error I advised you to charge our account and return to us the Alvah F. Ferguson and J. H. Davis, Jr., notes to the amount of \$37,500 each. We are returning these notes to you to be placed to our credit.

"Thanking you in advance, I remain,

"Yours very truly,

"T. H. HEARD,

"President."

Q. And that is your letter of reply?

A. Yes, sir.

Mr. Harris: I will introduce that. (Thereupon Mr. Harris read the letter just referred to, which is as follows):

"April 12th, 1917.

"Mr. T. H. Heard, President the Temple State Bank, Temple, Texas.

"Dear Mr. Heard: 'I am in receipt of your favor of the 7th enclosing notes of J. H. Davis, Jr., and Alvah F. Ferguson, aggregating \$37,500 each, and we have this day discounted them at the rate of 5 per cent to mature on April 20th placing the net proceeds \$74,864.55 to your credit.'

"Assuring you of our pleasure in serving you at any and all times, and with best wishes, I am,

"Yours very truly,

"Asst. Cashier."

Q. Any further correspondence with reference to that?

A. No, sir, not on this matter.

Q. The request is made that you read the daily balances with you from March 7th.

Senator Hanger: \$67,000.

The witness: That is the average.

Mr. Harris: That is the average. The request has been made by one of the Board of Managers of the House to have the exact items read.

A. From what—from what date?

Q. March 7th-March 8th?

A. March 8th, \$76,259.65; March 9th, \$74,701; March 10th, \$81,772. I am leaving off the odd cents.

Q. Yes, that is all right.

A. March 11th, \$81,772.

Q. It is suggested that you just read the even thousand.

A. March 12th, \$77,000—odd; March 13th, \$77,000; March 14th, \$75,000; March 15th, \$75,000; March 16th, \$75,000; March 17th, \$78,000; March 19th, \$75,000; March 20th, \$78,000; March 21st, \$77,000; March 22d, \$75,000; March 23rd, \$75,000; March 24th, \$75,000; March 25th, \$74,000; March 26th, \$77,000; March 27th, \$77,000; March 28th, \$75,000; March 29th, \$73,000; March 30th, \$75,000; March 31st, \$88,000.

Q. Go on up to April 7th, please.

A. April 1st, \$88,000; April 2d, \$89,000; April 3rd, \$82,000; April 4th, \$8000; April 5th, \$5000; April 6th, \$5000; April 7th, \$952; April 8th, \$952.

Q. Now, after the notes were returned to you, were either of them paid?

A. Yes, sir.

Q. When was one of them paid? Have you the letter with reference to that?

A. Yes, sir. Alva H. Ferguson note was paid on April 4—April 16.

Q. Have you the letter?

A. (Interrupting) And the Davis note was paid on April 23.

Q. The principal note was paid by a renewal note though, wasn't it, the Davis note?

A. Our records show paid, but was paid by the Governor making his own note.

Q. Yes, paid by him making his own note, but the other was never paid.

A. We have been paid.

Mr. Harris: We will introduce a letter of April 13, 1917.

(The letter referred to was read into the record and is as follows):

"Governor's Office,

"Austin, Texas,

"April 13, 1917.

"Mr. Henry Fox, President,

"Houston National Exchange Bank,

"Houston, Texas.

"Dear Mr. Fox:

"I herewith enclose you deposit slip for \$25,000 and my check for \$13,183.35 in payment of the note of A. F. Ferguson for \$37,500 and interest from date at eight per cent. You can send me the paid note and the collateral. I expect to be able to write you something next week about the retirement

of a note for like sum signed by J. H. Davis, Jr.

d-enc "Yours truly,
 "Jas. E. Ferguson."

Q. Have you any further correspondence with reference to those notes?

A. That's all.

Q. Just to get it into the record, Mr. Fox, you didn't lend the Governor any part of the \$156,000 of which you have heard?

A. No, sir.

Q. You don't know who did it?

A. No, sir, I do not.

Q. I just asked you that because of rumors, I accept your word absolutely.

Cross Examination
By Senator Hanger.

Q. Mr. Fox, you had done business with the Governor for many years, hadn't you?

A. Yes, sir.

Q. Had business transaction with him for many years?

A. Yes, sir.

Q. This \$75,000 loan was made a long time before ever this penitentiary loan was made, the penitentiary deposit was made?

A. Five months.—four months.

Q. Yes, at the time that Mr. Bickett deposited this money, the penitentiary money, were you down there at first?

A. Yes, sir.

Q. Did he not make an arrangement with you at that time to borrow money, if they needed it?

A. Yes, they agreed to loan the Penitentiary Commission our legal limit to make a crop with.

Q. What is your legal limit?

A. Our legal limit at that time, I should judge about sixty thousand dollars.

Q. Now, on every loan that you have made to the Governor, was amply and abundantly secured, wasn't it?

A. Yes, sir, we considered it such.

Q. How is that?

A. I considered it such.

Q. Yes, you had bank stock security; one share of stock of Bastrop Coal Company, security; and a portion of another, and the cattle on his Liberty County Ranch to secure it all, didn't you?

A. Yes, sir.

Q. You had what you considered, after adequate investigation, to be

ample and abundant security to secure all and each of these loans?

A. I considered it such.

Q. Now, you charged and collected a reasonable rate of interest?

A. Yes, sir, we did.

Q. Six, seven and eight per cent?

A. We gave him three different rates; six, seven and eight.

Q. Six, seven and eight per cent; just exactly like you would handle a transaction with any other man whom you were lending money to, was it not?

A. No difference.

Q. You exacted of him and required of him the same character of security you would require of a stranger, lending him money, didn't you?

A. We did.

Q. Now, Mr. Fox, there was not anything said to you, was there, by the Governor, when he called you up on the 7th of March, about a fifteen day limit?

A. No, sir, he did not.

Q. What he communicated to you was that he wanted you to pay these two notes, naming them?

A. Yes, sir.

Q. You did pay them, from the bank?

A. We rediscounted them from the Temple State Bank.

Q. Well, they were your notes?

A. Yes, they were ours.

Q. Mr. Heard, while the Governor had said nothing about it, Mr. Heard said it was only for fifteen days?

A. Yes, sir, fifteen or twenty days.

Q. Didn't he say in the conversation, or do you remember, that the Governor expected to pay them within that time?

A. He wanted to endorse those notes without recourse, stating the Governor would come down to Houston and take them up in Houston.

Q. Meaning, he would pay them, as you understand it?

A. That is as I understand it; and he wanted to endorse them without recourse, which we would not allow him to do.

Q. That was simply in violation of your method of handling that character of transaction, if you were to get a bank upon it as well as personal security, as a good banker, of course, you would have to do it?

A. Yes, sir.

Q. These notes were only gone from your bank from the sixth to the ninth, or about that time?

A. They went away about the fifth or sixth and came back about the ninth to the tenth, when Mr. Heard said he had ordered them charged up in error.

Q. Yes?

A. Yes, sir.

Q. You have got a letter there which has been read into the record here from Mr. Heard saying he had made a mistake, in substance, I don't remember the language?

A. Yes, sir.

Q. That's all.

Re-direct Examination
By Mr. Harris.

A. The Governor just asked you if you would take over some notes, and told you Mr. Heard would go into details?

A. Yes, sir.

Q. Mr. Heard did go into the details with you?

A. Yes, sir.

Q. Wanted Louis Adoue to take up this indebtedness February 24, 1917, wasn't it?

A. That is right, as you read it from the record.

Q. February 24, 1917. Now, what the Governor really said to you when he called you was, "Henry, I wish you would take up those two notes from the Temple State Bank, Mr. Heard will go into details with you?"

A. That is what I said.

Q. You didn't say you would buy these notes outright, did you?

A. No, sir.

Q. You only took them for fifteen or twenty days, originally, you extended that time.

A. Yes, sir.

Q. Then they were sent back again and you extended them for another ten days

A. Yes, sir.

Re-cross Examination
By Mr. Hanger.

Q. You only mean by the statement you have just made that in the conversation with the Governor, that the term Mr. Harris has just used was not employed, but you did understand you were purchasing, buying the notes, that they became your bank's property?

A. They became our property, we parted with our money.

Q. And the proceeds of the notes went to the bank's credit?

A. They did.

Q. And was subject to that bank's check any minute?

A. Yes, sir.

Q. And you so testified in the record - I was just reading from? That's all.

Re-direct Examination
By Mr. Harris.

Q. But, as a matter of fact, Mr. Fox, you had an agreement with them that they would keep a satisfactory balance there, and they did keep a balance of almost seventy-five thousand dollars, that is true, isn't it, Mr. Fox?

A. (Referring to a paper.) I am going to answer your question just as soon as I get this in here. Yes, sir.

Q. That is a fact, isn't it, that was your understanding they would keep that character of balance, an adequate and compensating balance.

A. Adequate and compensating balance is the exact term that I used to Mr. Heard.

Q. The balance they kept was almost seventy-five thousand dollars?

A. Except one day.

Re-cross Examination
By Mr. Hanger.

Q. The notes were paid in your bank by the Governor?

A. Yes, sir.

Q. In accordance with his agreement with you, they were paid in your bank?

A. They were paid.

Q. And then your bank owned them?

A. Yes, sir.

The Chair: Any further questions with this witness?

Mr. Harris: He has a sick wife and we agree to excuse him.

Mr. Lattimore: Mr. President, I move that the court recess until 10 o'clock tomorrow morning.

The Chair: The Senator from Tarrant moves that the Court recess until 10 o'clock tomorrow morning. Those in favor of the motion will make it known by saying "Aye," and those opposed "No."

(The motion carried and the Court

recessed until 10 o'clock a. m. tomorrow, September 5, 1917.)

In the Senate.

(President Pro Tem. Dean in the Chair.)

Adjournment.

At 5:10 o'clock p. m. the Senate on motion of Senator Dayton adjourned until 9:30 o'clock tomorrow morning.

FOURTH DAY.

Senate Chamber,
Austin, Texas,
Tuesday, September 5, 1917.

The Senate met at 9:30 o'clock a. m. pursuant to adjournment, and was called to order by President Pro Tem. Dean.

The roll was called, a quorum being present, the following Senators answering to their names:

Alderdice.	Hopkins.
Bailey.	Hudspeth.
Bee.	Johnson of Hall.
Buchanan of Bell.	Johnston of Harris.
Buchanan of Scurry.	Lattimore.
Caldwell.	McCollum.
Clark.	McNealus.
Collins.	Page.
Dayton.	Parr.
Dean.	Robbins.
Decherd.	Smith.
Floyd.	Strickland.
Gibson.	Suiter.
Harley.	Westbrook.
Henderson.	Woodward.

Absent—Excused.

Hall.

Prayer by the Chaplain.

Pending the reading of the Journal of yesterday, the same was dispensed with on motion of Senator Alderdice.

Excused.

Senator Hall, for yesterday and today on account of important business on motion of Senator Smith.

Message From the Governor.

Mr. S. Raymond Brooks here appeared with a message from the Governor, which the Chair laid before the Senate as follows, to wit:

Governor's Office,
Austin, Texas, Sept. 5, 1917.

To the Thirty-fifth Legislature in Third Called Session:

I beg to submit for your consideration the following subject: Amendment of Article 303, Revised Penal Code of 1911, providing that this Act shall not apply to the sale of gasoline or motor oils or accessories on Sunday.

Respectfully submitted,
W. P. HOBBY,
Acting Governor of Texas.

Morning call concluded.

At Ease.

At 9:40 o'clock a. m. Senator Gibson moved that the Senate stand at ease for fifteen minutes.

The motion prevailed.

In the Senate.

President Pro Tem. Dean, in the chair.

Committee Assignments.

The Chair announced the appointment of Senator Collins to fill the vacancy of Senator King on the following standing committees:

Civil Jurisprudence, Criminal Jurisprudence, Judicial Districts, Mining, Irrigation and Drainage, Public Lands and Land Office, Towns and City Corporations.

The Senate as Court of Impeachment.

The Chair announced that the hour, 10 o'clock a. m., to which the Court had recessed had now arrived, and directed the Sergeant-at-Arms to announce that the Court is now open for the continuation of the trial of Governor James E. Ferguson.